



**Ministry of Finance, Planning and Economic Development
Central Bank of Sri Lanka**

Investor Call – July 2025

Opening remarks



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Secretary to the Treasury and Ministry of
Finance, Planning and Economic Development



I. Sri Lanka continues to make substantial progress in its IMF Program



Sri Lanka is making steady and successful progress under its US\$3bn IMF program

Sri Lanka's program performance remains strong, with the 4th Review having been approved by the IMF Executive Board in July 2025



Total IMF financial support disbursed since inception of the IMF Program:

SDR 1.27bn (US\$1.74bn)

Sri Lanka's performance under the Fund-supported arrangement is generally strong with some implementation risks being addressed. Reforms are bearing fruit, with economic growth strengthening, inflation remaining low, reserves accumulating, and fiscal revenues improving. **The debt restructuring process is nearing completion. [...] The progress to advance the restructuring of Sri Lanka's debt is noteworthy.**

INTERNATIONAL MONETARY FUND, STATEMENT BY THE IMF EXECUTIVE BOARD ON JULY 3RD, 2025



Sources: International Monetary Fund and Sri Lankan Authorities

The Authorities have continued to progress the implementation of their reforms

Pillars of the IMF program	Reforms implemented as of July 2025
1 Fiscal Reforms	<ul style="list-style-type: none"> ✓ Updated Value-Added Tax system, raised to 18% in January 2024 ✓ SOE reforms, such as implementation of cost reflective pricing mechanisms and several others underway ✓ Parliamentary approval of the Public Financial Management Act and the Public Debt Management Act, with the full implementation of the PFM law expected by the end of 2025 ✓ Appropriation Act adopted in March 2025
2 Restore Public Debt Sustainability	<ul style="list-style-type: none"> • <i>See next section</i>
3 Restore price stability and rebuild external buffers	<ul style="list-style-type: none"> ✓ Central Bank Act, approved in 2023 by Parliament to boost central bank independence and cease monetary financing ✓ Rebuilding of reserves' buffer, in line with Net Official International Reserves targets set by IMF ✓ More flexibility in exchange rate determination ✓ Gradual lifting of import restrictions and phasing out of administrative measures imposed to support the BoP
4 Safeguard financial system stability	<ul style="list-style-type: none"> ✓ Development of a recapitalisation plan for the local banking sector ✓ Introduction of the new Banking (Special Provisions) Act aiming at strengthening the banking resolution tools for the CBSL ✓ Parliament approval for the amendments to the Banking Act
5 Reduce corruption and foster growth	<ul style="list-style-type: none"> ✓ Publication of the National Anti-corruption Agenda in February 2024, first action plan to combat corruption, following the IMF's governance diagnostic report ✓ Enactment of a comprehensive Asset Recovery Law (Proceeds of Crime Act) harmonized with the United Nations Convention Against Corruption



Sources: International Monetary Fund and Sri Lankan Authorities

II. Sri Lanka's debt restructuring process is close to completion



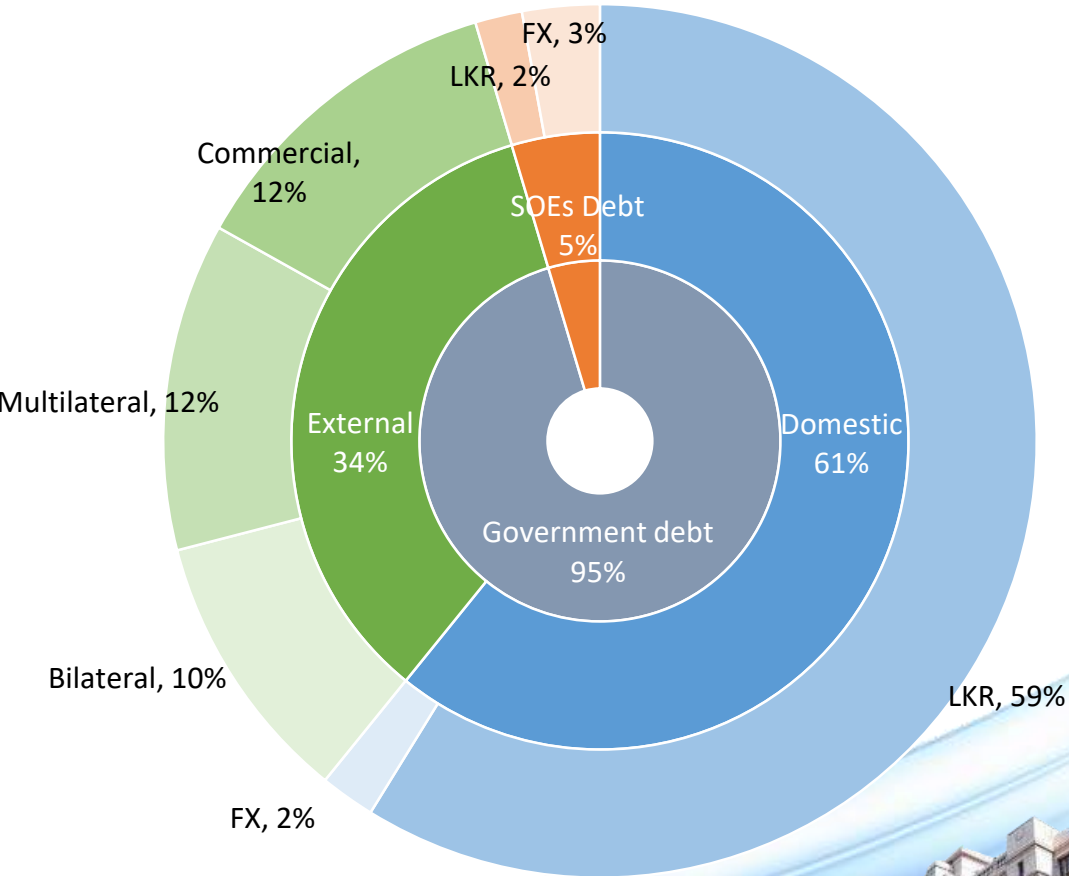
Overview of Sri Lanka’s public debt as of end-2024

Summary of Sri Lanka’s Public Debt as of December 31, 2024

	US\$ million	End December 2024 ¹
Debt of the Government	Domestic Debt	64,571
	LKR Denominated	62,413
	FX Denominated	2,158
	External Debt	36,680
	Bilateral	10,753
	Multilateral	12,897
	Commercial	13,030
Total Debt of the Government		101,251
SOE Debt	SOE Guaranteed Debt	4,896
	LKR Denominated	1,857
	FX Denominated ²	3,039
	Total Debt of SOEs	4,896
PC & LG Debt	Provincial Councils (PCs)	-
	Local Governments (LGs)	20
	LKR Denominated	20
	Total PC & LG Debt	20
Total Public Debt		106,166 (104% of GDP ³)

Sri Lanka’s Public Debt Breakdown

As of end December 2024

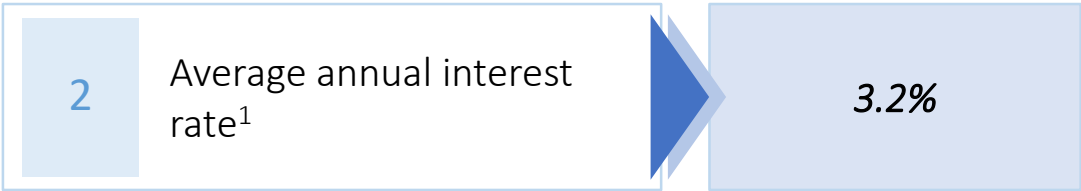
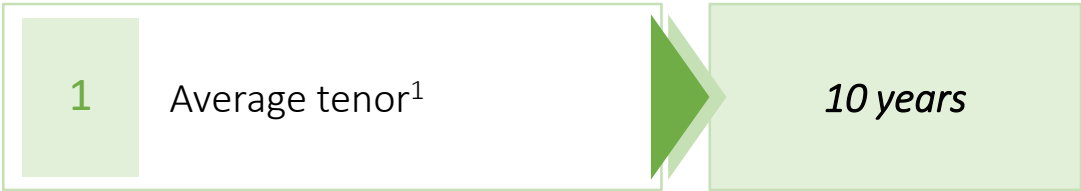


Source: Public Debt Management Office
Notes: (1) Provisional, excluding past due interests. For the conversion of figures in different currencies into US\$, the exchange rates as of 31st December 2024 have been used (ex. US\$:LKR = 292.5833), (2) Includes the Central Bank of Sri Lanka facility with the Reserve Bank of India, (3) Nominal GDP estimated at US\$ 102,190 as of end-2024

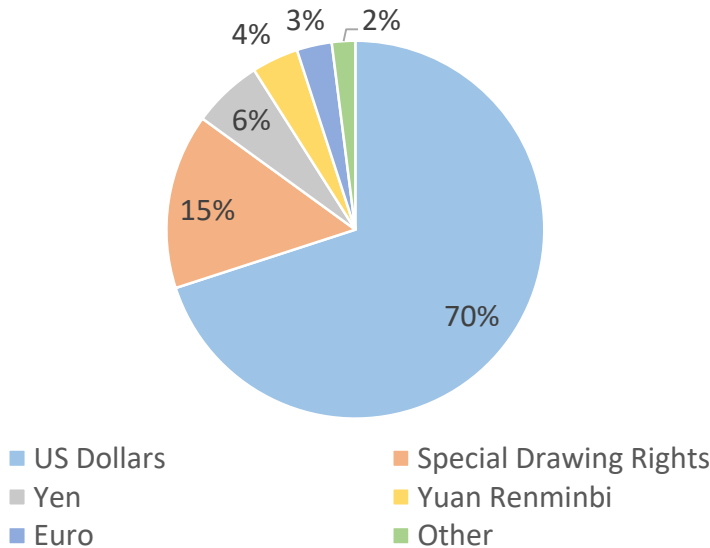


Key features of Sri Lanka’s Central Government external debt

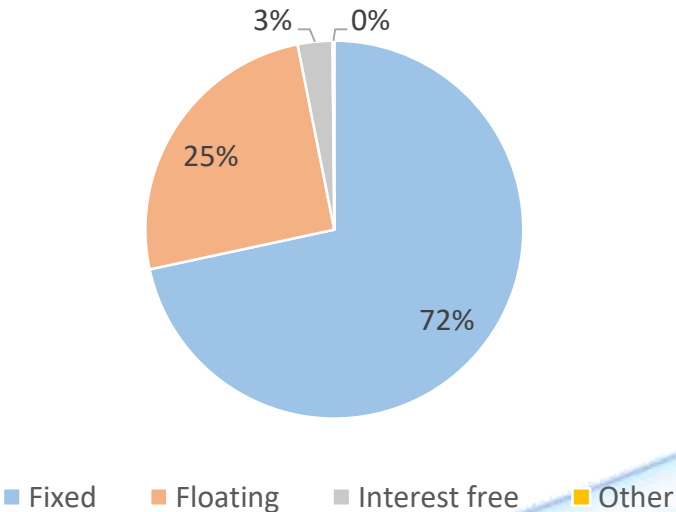
Key indicators of Sri Lanka’s Central Government external debt as of end-2024



Composition of external debt by currency



Composition of external debt by type of interest



Source: Public Debt Management Office
Notes: (1) Calculation is based on original interest rates and tenures for loans that are yet to be restructured



Status of the public external debt restructuring as of July 2025

As of July 2025, Sri Lanka has reached agreement on terms with over 98% of its external creditors and fully implemented over 90% of its public external debt restructuring

Main external creditors <i>Central Government and SOE Guar.</i>	Debt outstanding as of end-2024 ¹	Type of debt	Agreement on terms	Implementation status
Bilateral creditors				
Official Creditor Committee (17 member countries)	US\$ 5,817m	<i>Bilateral and ECA-backed loans</i>	✓	Ongoing signature of bilateral agreements – Agreements signed with Japan, India, France, and Hungary
China Exim Bank	US\$ 4,177m	<i>Bilateral and ECA-backed loans</i>	✓	Implementation is concluded
Saudi Arabia	US\$ 167m	<i>Bilateral loans</i>	✓	Implementation is concluded
Kuwait	US\$ 95m	<i>Bilateral loans</i>	✓	Ongoing drafting of the loan agreement
Other bilaterals	~ US\$ 200m	<i>Bilateral and ECA-backed loans</i>	<i>In progress</i>	Debt treatment discussions expected to be finalized shortly
Commercial creditors				
International Sovereign Bondholders	US\$ 10,585m	<i>International sovereign bonds</i>	✓	Completion of the exchange in December 2024, with 98% of the ISBs being exchanged into new instruments
China Development Bank	US\$ 3,201m	<i>Commercial and ECA-backed loans</i>	✓	Implementation is concluded
SriLankan Airlines Bondholders	US\$ 175m	<i>Sovereign guaranteed bond</i>	<i>In progress</i>	Debt treatment discussions ongoing
Other commercial creditors	< US\$ 50m	<i>Commercial loans</i>	<i>In progress</i>	Debt treatment discussions expected to be finalized shortly

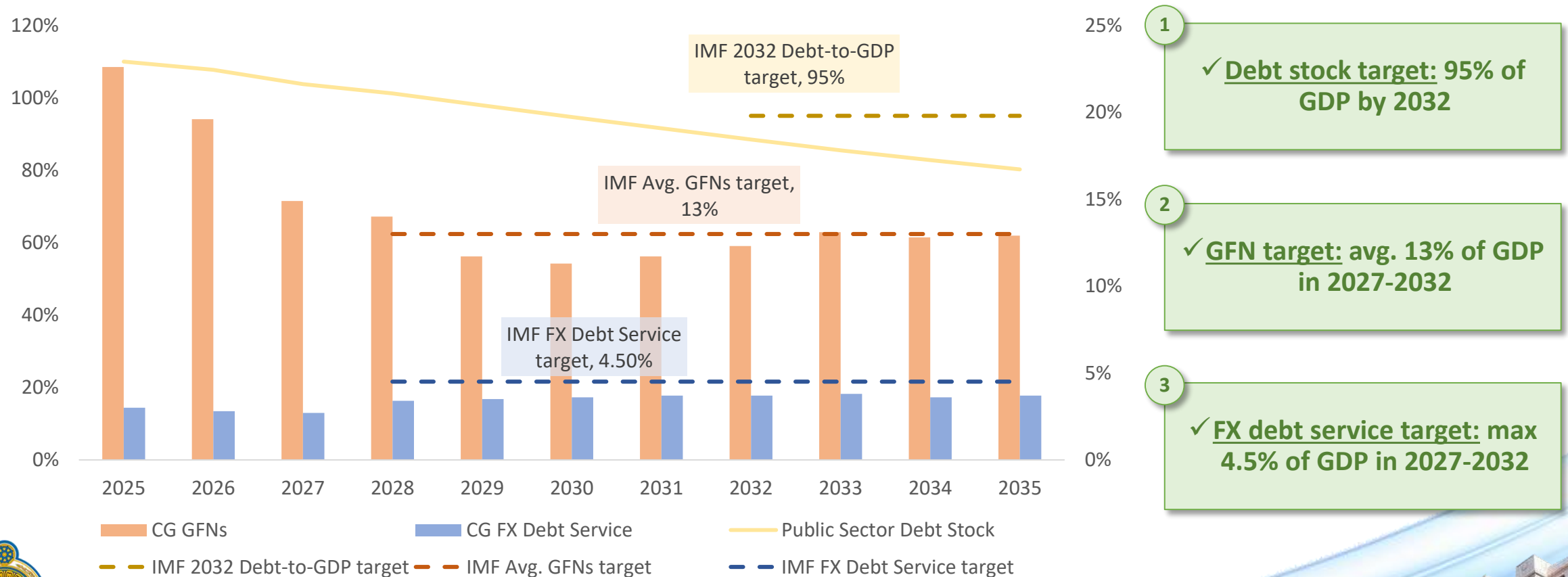


Source: Ministry of Finance, Planning and Economic Development
Note: (1) Excluding past due interests

The completion of the debt restructuring has placed Sri Lanka's debt on a sustainable trajectory, below the targets set by the IMF DSA

Overview of Sri Lanka's DSA indicator performance¹

In % of GDP, Public Sector Debt Stock (lhs), CG GFNs and FX Debt Service (rhs)



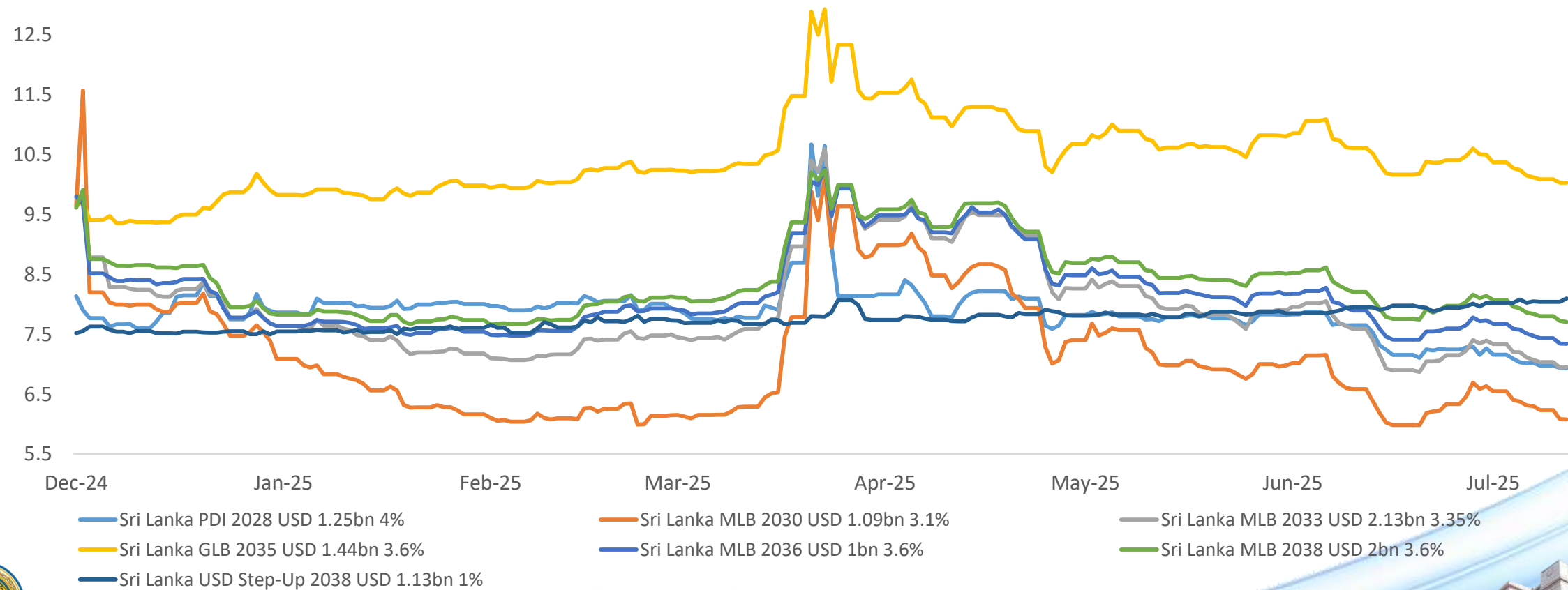
Source: International Monetary Fund

Notes (1) Based on the IMF 4th Review Debt Sustainability Analysis. Debt projections assume that the first threshold of the Macro-Linked Bonds is triggered due to the stronger rupee leading to higher dollar GDP

Since the issuance of the new International Sovereign Bonds in December 2024, yields have steadily declined, signaling restored market confidence

Overview of Sri Lanka's International Sovereign Bonds yield performance

In %, since December 2024 – Based on Bid Yield to Convention



Source: Bloomberg as of 29 July 2025



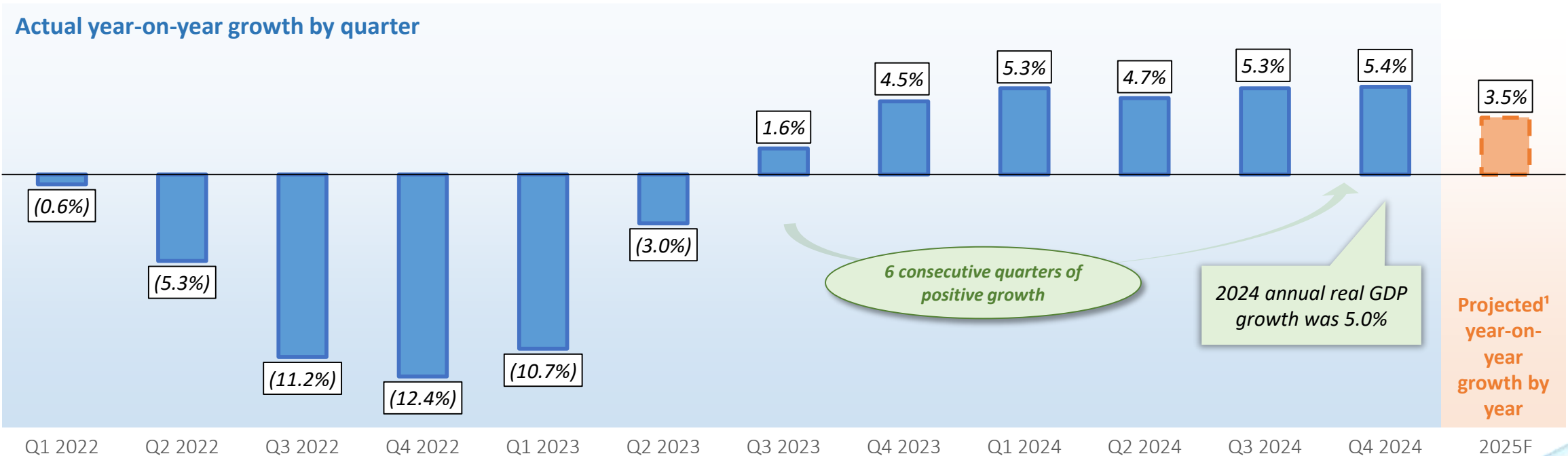
III. Economic, Fiscal and External performances continue to improve



Sri Lanka has achieved six straight quarters of GDP growth...

Real GDP Growth Trajectory (historical)

Real GDP growth, in % change (Q1-2022-2025F)



- ▶ Sri Lanka's macroeconomic performance has continued to strengthen, with real growth projected to remain robust at 3.5% in 2025

Sources: Central Bank of Sri Lanka and International Monetary Fund
Note: (1) Projection based on the IMF's Fourth Review

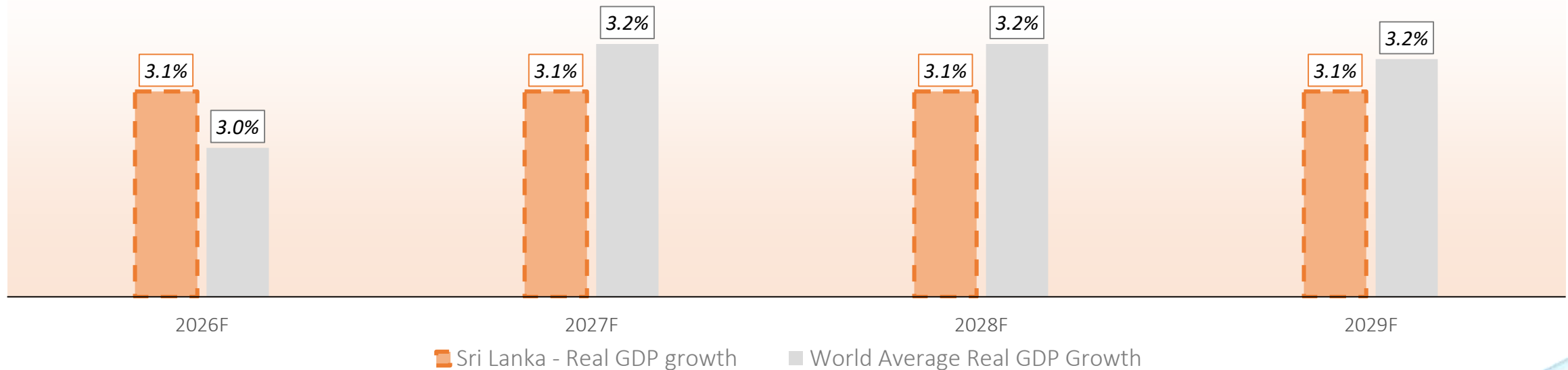


...And is projected to maintain consistent growth going forward

Real GDP Growth Trajectory (forecasts)

Real GDP growth, in % change (2026F-2029F)

Projected¹ year-on-year growth by year



- ▶ Sri Lanka's real GDP growth is expected to remain robust and close to global averages, averaging 3.1% between 2026-2029

Source: International Monetary Fund

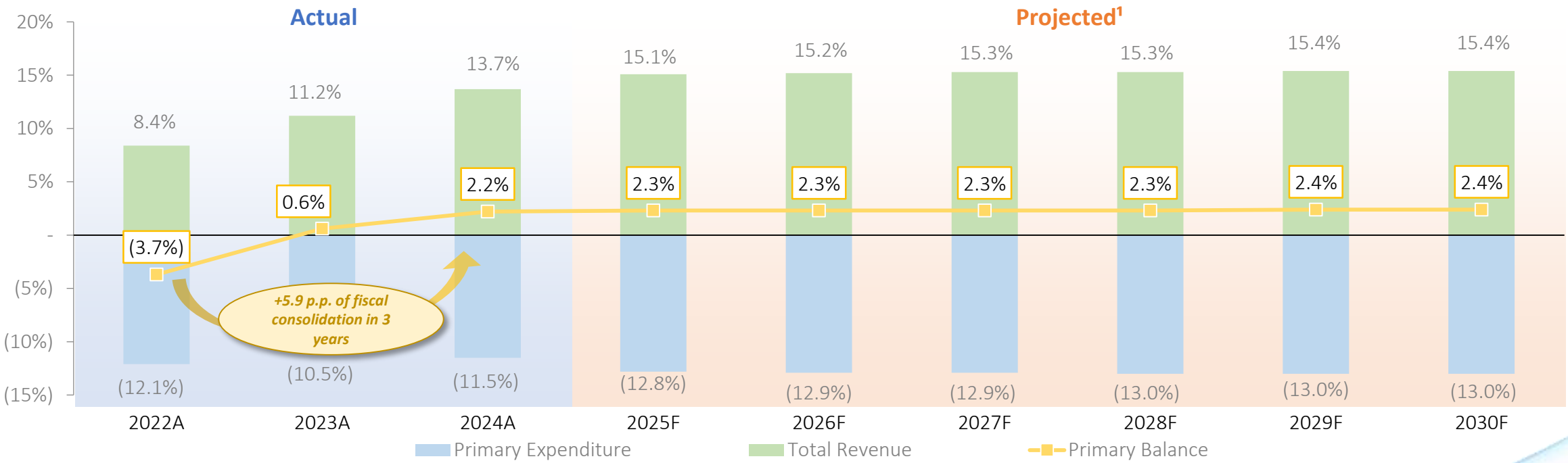
Note: (1) Projection based on the IMF's Fourth Review for Sri Lanka, and IMF World Economic Outlook published in April 2025 for the World average real GDP growth



Sri Lanka has secured fiscal surpluses in 2023 and 2024, with steady positive balances expected from 2025 onward

Central Government Primary Balance

In % of GDP



► Public finances have continued improving thanks to substantial reforms by the Government, leading to primary surpluses in 2023 and 2024 and a steady projected positive primary balance from 2025 onwards

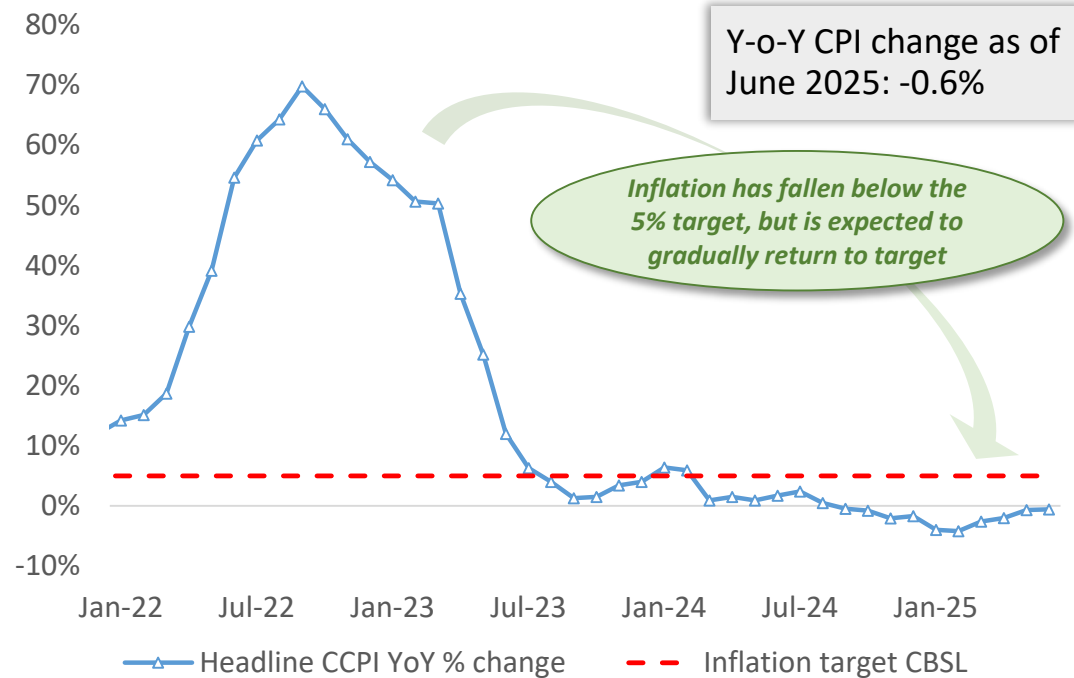
Sources: Ministry of Finance, Planning and Economic Development and Sri Lanka's Fiscal Strategy Statement 2026
Note: (1) Projections based on Sri Lanka's Fiscal Strategy Statement 2026



Sri Lanka's external position has improved with stabilizing inflation and growing foreign exchange reserves driven by tourism and remittances

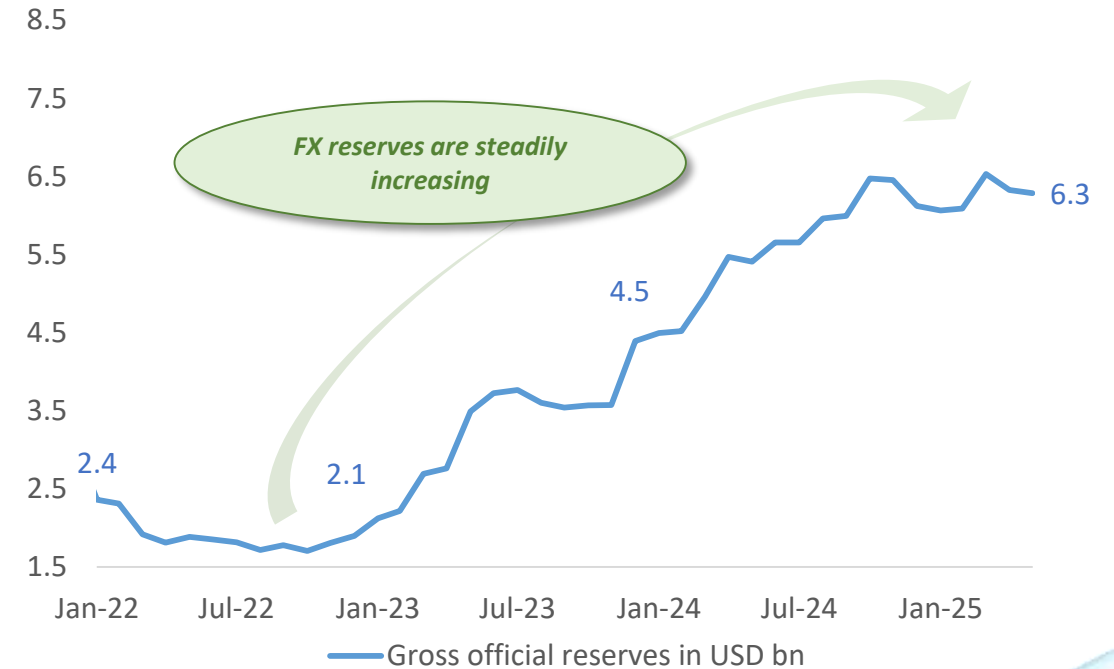
Evolution of Consumer Price Index

Consumer Price Index in %, YoY change (2022-June 2025)



Evolution of Foreign Exchange Reserves

Central bank FX reserves (US\$bn), Jan 2022-May 2025



- ▶ Sri Lanka's external position has improved, with inflation—currently negative —projected to stabilize at the 5% target by 2026. Foreign exchange reserves are growing, driven by robust tourism earnings and increased remittance inflows

Source: Central Bank of Sri Lanka



Appendix



Relevant Information for Bond Investors

Information relevant for Bond Investors	Published by	URL Link
End-2024 Debt Report	Ministry of Finance	https://www.treasury.gov.lk/api/file/5b1fe458-3900-4744-a7ff-8a001eac2011
Ministry of Finance's 2024 Annual Report	Ministry of Finance	https://www.treasury.gov.lk/api/file/234681b4-35d2-4b44-ace8-612e2f14fc38
Annual Economic Review 2024	Central Bank of Sri Lanka	https://www.cbsl.gov.lk/sites/default/files/cbsl_web_documents/publications/aer/2024/en/Full_Text.pdf
Fiscal Strategy Statement 2026	Ministry of Finance	https://www.treasury.gov.lk/news/article/345



Q&A



Questions and Answers (1/9)

Question 1. Please provide an update on trade/tariff discussion with the US

- Sri Lanka reached a positive conclusion with the reduction of the US trade tariffs from the initial 44% to 30% later and being finalized at 20% on 31 July 2025. Sri Lanka is now among the handful of countries that managed to get a 24% rate cut from the original 44% and Sri Lanka is on a level ground with the key regional competitors, particularly in the apparel sector, which forms the bulk of US-bound shipments.
- The Government will engage with the exporters, local industries and State institutions to recalibrate its export strategy in response to the tariff.
- Sri Lanka Government is continuing to explore ways to minimize the trade balance with the US and will open up markets and making it easier to do business in Sri Lanka. Initiatives such as zero-tolerance on corruption and governance reforms as components of a broader economic offering meant to make Sri Lanka a more attractive trading partner for the US. As Sri Lanka's approach is wholesome, both the US companies and local exporters will gain from a more efficient and transparent system.



Questions and Answers (2/9)

Question 2. Could you offer more detail on which commercial facilities (other than HRB) have not yet been fully restructured?

- Over 98% of the debt restructuring negotiations have been successfully completed, of which close to 92% has been fully implemented. The remaining commercial creditors included in the scope of Sri Lanka's public debt restructuring consist of less than 1% - (i) smaller commercial creditors of the Central Government who did not participate in the Exchange Offer in December 2024 – with total exposure of the Central Government amounting to less than US\$50 million, and (ii) holders of the US\$175 million Government Guaranteed Sri Lankan Airlines (SLA) bonds.
- Certain holders of the 2022 Bonds who did not participate to the Exchange Offer have come forward to achieve a settlement in line with the Exchange Offer's Most Favored Creditor Clause, and discussions are currently ongoing.
- Discussions between SLA, the Government, and the holders of SLA bonds are also ongoing. SLA, the Government, and the holders of SLA bonds have completed a first round of discussions between 28th July and 01st August 2025. A Cleansing Statement in this regard has been issued. The Government underlines its commitment to conclude this restructuring process in line with the IMF-supported program parameters and the Comparability of Treatment principles.



Questions and Answers (3/9)

Question 3. Any plans for a liability management exercise in the near future as far as external debt is concerned?

- The Ministry of Finance established its Public Debt Management Office (PDMO) in December last year, with the aim of overseeing the management of Sri Lanka's public debt. The office is gradually scaling up and is expected to be fully operational in 2026.
- Under its mandate, the PDMO will be tasked with carrying out a proactive debt management strategy. The office will be continuously evaluating the potential benefits of such operations, as and when appropriate.



Questions and Answers (4/9)

Question 4. Does the Republic worry about the increasing likelihood of the MLBs being triggered and thus increasing debt payments?

- The adjustments to the Macro-Linked Bonds (MLBs) have been designed to align with Sri Lanka's macroeconomic performance. Current projections suggest a higher likelihood of triggering the upside scenarios, reflecting the strength of Sri Lanka's economic recovery.
- While debt payments are higher under the upside scenarios of the MLBs, they have been structured to ensure they remain consistent with Sri Lanka's long-term public debt sustainability and capacity to repay its external debt. As shown in the projections on slide 10, the Republic's performance under the IMF DSA remains strong even assuming that the MLBs are triggered.



Questions and Answers (5/9)

Question 5. Any timelines or update on restructuring of Sri Lankan Airlines debt which you can share with investors?

- Sri Lankan Airlines (SLA) and the Government are engaging with the holders of the outstanding SLA Bonds. SLA, the Government, and the holders of SLA bonds have completed a first round of discussions between 28th July and 01st August 2025. A Cleansing Statement in this regard has been issued.
- The Government remains committed to finalizing the restructuring process in alignment with the key principles that have guided Sri Lanka's public debt restructuring from the outset: compliance with the IMF Debt Sustainability parameters and with the Comparability of Treatment principles



Questions and Answers (6/9)

Question 6. Reserve accumulation, as measured by the BOP, has been positive for the 1H2025. However, gross reserves in USD are actually down. Can you please clarify what explains this discrepancy: valuation adjustments or any special transaction? If the latter, please describe the nature of the transaction

- By the end 2024 the Gross Official Reserves (GOR) amounted to US dollars 6.1 billion and as of the end June 2025 GOR remained broadly at the same levels.
- In spite of net purchases of the Central Bank, some project loan inflows and one tranche of the IMF-EFF received during the first half of 2025, there were similar amount of outflows on account of external debt service payments by the Government and Central Bank. This explains the reason for the GOR level remaining broadly at same levels by the end of June 2025, when compared to GOR levels at the end of 2024.



Questions and Answers (7/9)

Question 7. Have you contemplated any market-based liability management operations, particularly with any of the smaller and less liquid issues resulting from the debt restructuring? Some of the less liquid LKR issuances may be able to be combined or swapped into other issues in a win-win transaction

- As mentioned in Question 3, under the mandate of the newly established Public Debt Management Office (PDMO), the PDMO will be tasked with implementing a proactive debt management strategy and will regularly assess the advantages of conducting liability management operations on both Sri Lanka's domestic and external central government debt, as and when appropriate.



Questions and Answers (8/9)

Question 8. Can you please describe how the revenue from the auto imports are coming relative to expectations and relative to what is needed to meet the IMF revenue targets? What is the plan B if it looks like the revenue numbers may not be met?

- The Government remains committed to revenue-based fiscal consolidation under the IMF supported programme and, as noted in the IMF Fourth Review (July 2025), Sri Lanka has met the relevant Quantitative Performance Criteria, including central government tax revenues and primary balance target. As per the Budget Estimates 2025, the estimated tax revenue from motor vehicle imports is 1.3 percent of GDP. As of August 06, 2025, tax revenue from motor vehicles amounted to Rs. 321 billion, which is a realization of 73 percent of the annual estimate. With the LC opened up until August 06, 2025, tax revenue from motor vehicles is expected to exceed the projection, surpassing the estimate for 2025.



Questions and Answers (9/9)

Question 9. Please describe how the SriLankan Airlines and the Hamilton Reserve restructurings are ongoing, including how it may interact with the Most Favored Creditor clause in the newly restructured Eurobonds.

- As clarified in Question 2 and Question 5, SLA, the Government, and the holders of SLA bonds have completed a first round of discussions between 28th July and 01st August 2025. A Cleansing Statement in this regard has been issued. The Most Favored Creditor Clause outlined in the Indentures of the New Bonds does not include public external guaranteed debt and, as such, is not applicable to SLA's bond restructuring. However, and as outlined in the Cleansing Statement published on 4th August 2025 following restricted discussions, the Government underlines its commitment to the key principles that have guided Sri Lanka's public debt restructuring from the outset: compliance with the IMF Debt Sustainability parameters and with the Comparability of Treatment principles.
- The litigation process with Hamilton Reserve Bank (HRB): Following written submissions and a hearing on July 10, 2025, the Court granted Sri Lanka's request for additional discovery. We refer to the public docket in this matter for more detail.



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