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CENTRAL BANK OF SRI LANKA

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Press Release

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Democratic Socialist Republic of Sri Lanka US\$ 1.0 billion International Sovereign Bond Issue

The Central Bank of Sri Lanka (CBSL), on behalf of the Democratic Socialist Republic of Sri Lanka (Sri Lanka), successfully launched and priced a US\$ 1.0 billion 10-year International Sovereign Bond (Issue) at a yield of 5.875% per annum.

The Issue represents the fifth US Dollar benchmark offering in the international bond markets by Sri Lanka since 2007. Bank of America Merrill Lynch, Barclays Capital, Citigroup and HSBC acted as Joint Lead Managers/Bookrunners on the transaction. The People's Bank acted as the co-manager on the transaction. Prior to the launch of the transaction, Sri Lanka conducted a series of fixed income investor update meetings with investors in Singapore, Hong Kong, various cities in the USA and London.

Fitch Ratings, Moody's Investors Service and Standard and Poor's have rated the Issue at 'BB-' with a Stable Outlook, 'B1' with positive outlook and 'B+' with a stable outlook respectively. With the strong support from investors and timely execution in the market, the Issue was announced during the Asia morning on July 17, 2012. With the strong demand the order books grew rapidly, allowing Sri Lanka to price the Issue at 5.875%. This tighter yield reflects the improved confidence that the international investors have placed in the sovereign bond issuance of Sri Lanka.

The final order books stood at US\$ 10.5 billion, an oversubscription ratio of 10.5 times. This is the largest order book as well as the largest number of investors in the order book for Sri Lanka ever. The number of investors increased to 425 from 315 in 2011. Distribution was very well diversified, with Asia taking 27%, Europe 29% and the US at 44%. Global Fund Managers were the largest investors in the transaction, representing 90%, with Banks/Private Banks and others taking 6% and 4% respectively.

With this transaction Sri Lanka succeeded in achieving a cost of funds which is progressively lower compared to the previous Issuances. Sri Lanka's previous four Issuances in 2007 (5-year), 2009 (5-year), 2010 (10-year) and 2011 (10-year) were priced at yields of 8.25%, 7.40%, 6.25% and 6.25% respectively. This achievement is all the more impressive, given the volatility seen in global capital markets in recent months.