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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 5-year International Sovereign Bond (Issue) at a yield of 6.00 per cent per annum.

The Issue represents the sixth US Dollar benchmark offering in the international bond markets by Sri Lanka since 2007 and the first Sovereign Bond issue in the international capital markets in 2014. Citigroup, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and UBS acted as Joint Lead Managers/Bookrunners on the transaction. Post announcement of the transaction, Sri Lanka conducted a series of fixed income investor update through internet based presentations and conference calls covering Asia, Middle-East, Europe and the USA.

Fitch Ratings, Moody's Investors Service and Standard and Poor’s have rated the Issue at 'BB-', ‘B1’ and ‘B+' respectively. The Issue was announced during the Asia morning on January 6, 2014 with an initial price guidance of 6.25 per cent per annum. With the firm support from investors, the order books grew steadily, allowing Sri Lanka to price the Issue at a yield of 6.00 per cent in spite of the rising benchmark US Treasury yield. This tighter yield reflects the continued confidence that the international investors have placed in the sovereign bond issuance of Sri Lanka.

The final order books stood at US$ 3.2 billion, an oversubscription ratio of 3.2 times, from 200 accounts, achieved within eighteen hour bookbuild period. Distribution was very well diversified, with Asia taking 12 per cent, Europe 26 per cent and the US at 62 per cent. Global

Fund Managers were the largest investors in the transaction, representing 89 per cent, with Banks and Private Banks taking 8 per cent and 3 per cent respectively.

Driven by the support from existing and new investors, Sri Lanka succeeded in achieving a five-year cost of funds which is progressively lower compared to the previous Issuances. Sri Lanka's previous five-year Issuances in 2007 and 2009 were priced at yields of 8.25 per cent and 7.40 per cent respectively. This achievement is all the more impressive, given the rising bench mark US Treasury yield and also the high volatility seen in global capital markets in recent months.