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CENTRAL BANK OF SRI LANKA

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Press Release

Issued By	**Public Debt Department**
Date	**28th May 2015**

Democratic Socialist Republic of Sri Lanka US$ 650 million 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$ 650 million 10-year International Sovereign Bond (Issue) at a yield of 6.125 per cent per annum.

The Issue represents the eighth US Dollar benchmark offering in the international bond markets by Sri Lanka since 2007. Citigroup Global Markets Inc., Deutsche Bank, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank acted as Joint Lead Managers/ Bookrunners on the transaction.

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 May 28, 2015 with an initial price guidance of 6.375 per cent per annum. The order books grew steadily, allowing Sri Lanka to price the Issue at a yield of 6.125 per cent or a spread of 397.7 bps vs the 10-year US Treasury. The compression in yield of 25 basis points 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$ 2 billion, an oversubscription ratio of 3.08 times, from 173 accounts. Distribution was very well diversified, with Asia taking 23 per cent, Europe 27 per cent and the US at 50 per cent. Global Fund Managers were the largest investors in the transaction, representing 79 per cent, with Banks, Pension Funds/Insurance and Private Banks taking 9 per cent, 7 per cent and 5 per cent respectively.

With this transaction, this Issue represents the first Sovereign Bond Issue for Sri Lanka in the international capital markets in 2015, post the change in government. This Issue also succeeded in achieving a ten-year cost of funds which is inside the current Sri Lanka US$ secondary levels and at tighter spread vs the US Treasury compared to the last ten-year Sri Lanka US$ in 2012. This achievement is all the more impressive, given the recent volatility in US Treasury yields and anticipated Fed rate hike later this year.

Note:

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