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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
U.S.$1.5 billion International Sovereign Bond Offering

The Central Bank of Sri Lanka, on behalf of the Government of Sri Lanka (Sri Lanka), successfully priced a new U.S.$1.5 billion 10-year International Sovereign Bond (Bonds) on May 4th, 2017. The Bonds have been rated 'B1', 'B+' and 'B+' by Moody's Investors Service, Standard and Poor's and Fitch Ratings respectively.

This marks Sri Lanka's eleventh U.S. dollar benchmark offering in the international bond markets since 2007 and is a clear testament of the international investor community's continued support for Sri Lanka through the years. Citigroup, CITIC CLSA Securities, Deutsche Bank, HSBC, ICBC International, J.P. Morgan and Standard Chartered Bank acted as the Joint Lead Managers and Bookrunners on this successful transaction.

The transaction was undertaken on the back of a strong market window post the Federal Open Market Committee minutes release and ahead of the Nonfarm payroll and the French elections. The transaction also coincided with the International Monetary Fund staff-level agreement that was released a day before on May 3rd, 2017.

The transaction with an initial price guidance of 6.625% area was announced during the Asia morning of May 4th, 2017, and saw strong interests from a wide range of high quality investors, allowing Sri Lanka to tighten final price guidance to 6.250% area (+/-5 basis points) at the Asia evening on the back of books which were in excess of U.S.$7.5 billion. The Bonds eventually priced during New York hours at 6.20% reflecting a 42.5 basis points compression, well inside the initial price guidance for a final transaction size of U.S.$1.5 billion.

The final order book was in excess of U.S.$11 billion, achieving an oversubscription ratio of over 7 times, spread across 500 participating accounts. This clearly reflects investors' continued confidence in Sri Lanka and their positive outlook on the Sri Lankan economic growth story. Further, compared to the 2016 spread between US Treasury 10 year yield and 10 year Sri Lanka bonds yield, 2017 spread has substantially declined indicating a reduction in the risk premium demanded by the investors.

Geographical distribution was well diversified, with 58% of the final allocations going to the U.S., 22% to Europe, and the remaining 20% to Asia. By investor type, the split was 83% to fund managers, 9% to banks, 5% to insurance and pension funds, and the remaining 3% to other investors.

Note:

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