

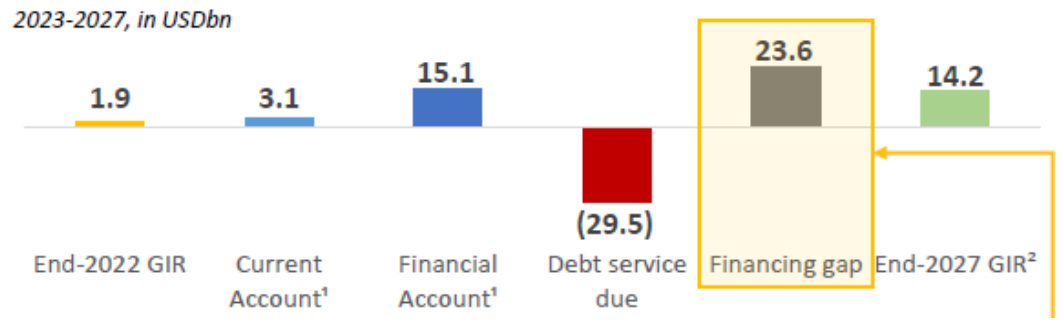
Market Update

Investor Presentation by Sri Lanka to the creditors on the progress of debt restructuring.

Sri Lanka to manage an external financing gap of USD 23.6Bn over 2023-2027, USD 17bn must be provided by external debt treatment



Sri Lanka's external financing gap estimated at USD 23.6Bn during 2023-2027...



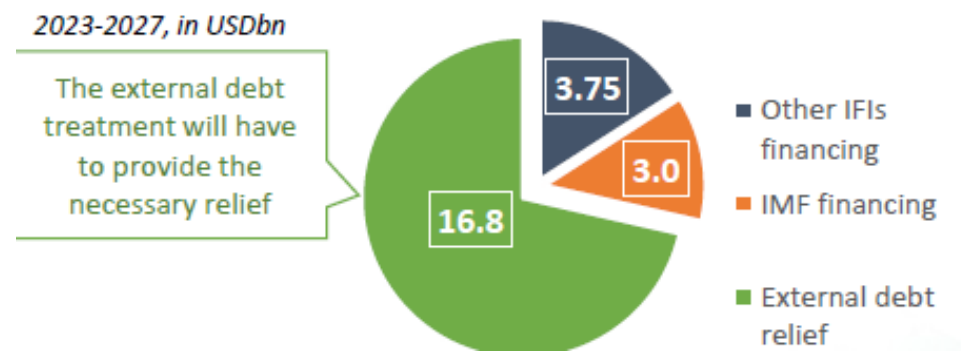
... Only USD 21.9Bn is expected to be included in debt treatment parameter


Sizing the efforts in the 2023-2027 external debt service

PPG contractual external debt service incl. full arrears clearance (USD 2.8bn), 2023-2027, in USDbn

Existing debt	27.6	Excluded from the debt treatment perimeter
Multilateral creditors	5.7	
Bilateral creditors	7.1	
Paris Club ("PC")	2.4	
China	3.0	
India	1.6	
Other Non-Paris Club	0.2	Included in the debt treatment perimeter ⁴
Private creditors	14.8	
ISBs	12.1	
CDB commercial loans	2.7	
Others	0.0	c. 75% debt service reduction
New debt³	1.9	
Total	29.5	

... which is expected to be covered by largely through external debt relief ...



 **Of USD 45.5Bn external debt, 68% to be considered for debt treatment**

Considered for debt treatment
(USD 30.8bn, 68% of FX debt)

Central Government and Guaranteed SOEs Foreign Currency Debt (USD 45.5bn²)

Considered for exclusion of debt treatment perimeter
(USD 14.7bn, 32% of FX debt)

Creditors	Debt type	Amount ²
Official bilateral creditors 34% of the FX treatment perimeter	<ul style="list-style-type: none"> Bilateral official loans ECA-backed commercial loans 	USD 10.6bn
Private creditors 66% of the FX restructuring perimeter	<ul style="list-style-type: none"> International bonds Commercial loans (Foreign Law) Commercial loans (Local Law) Sri Lanka Development Bonds (Local Law) 	USD 20.3bn

Debt type	Rationale for exclusion	Amount ²
Multilateral creditors	<ul style="list-style-type: none"> Institutions with preferred creditor status and multilateral funding basis Multilateral institutions will provide new financing during the program period 	USD 11.5bn
Emergency assistance credit lines	<ul style="list-style-type: none"> Loans extended during the crisis and aimed at addressing basic needs imports (food, fuel, essential medicine, ...) 	USD 0.8bn
Bilateral Swap Lines	<ul style="list-style-type: none"> Specific nature of swap lines (i.e., monetary policy instruments) 	USD 2.0bn
CPC and CEB FX Payables	<ul style="list-style-type: none"> Treated on an ad hoc basis (cleared over 10 years³) 	USD 0.3bn



Domestic debt restructuring (DDR) is considered for liquidity relief and to preserve financial stability

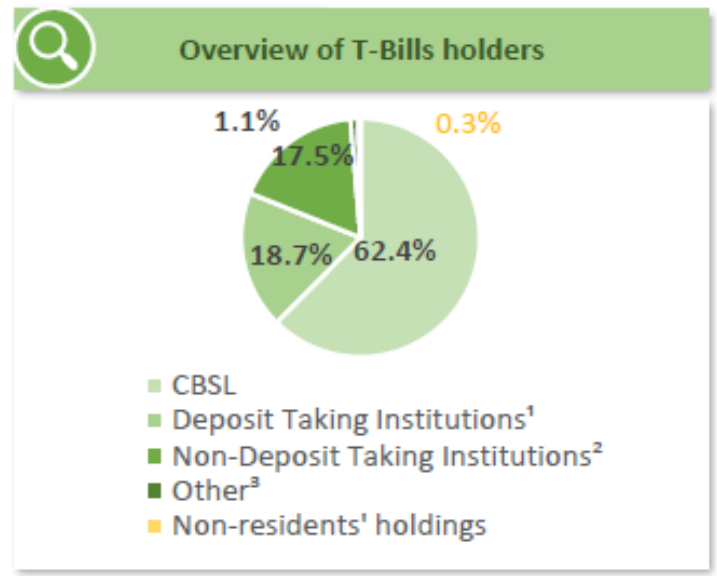
DDO will help reduce the efforts required from external creditors to restore debt sustainability but taking into account financial stability objectives

Total local debts stands at USD 36.3Bn of which 66% accounts to T Bonds

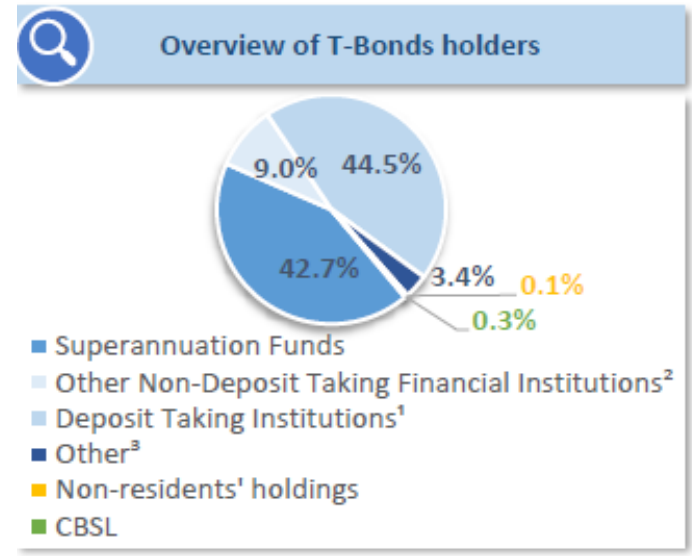
Overview of Central Government Local Currency Debt : LKR 13,189bn (USD 36.3bn)⁴

Debt category	Amount
T-Bills	LKR 4,126bn (USD 11.4bn)
T-Bonds	LKR 8,722bn (USD 24.0bn)
Other Loans ⁵	LKR 104bn (USD 0.3bn)
CBSL advances ⁶	LKR 236bn (USD 0.6bn)

Only T bills held by CBSL will be considered for debt treatment which would account to USD 7Bn



A voluntary domestic debt optimization operation without coercion is envisaged



Notes: (1) Including Licensed Commercial Banks, Licensed Specialized Banks and Registered Finance Companies, (2) Including superannuation funds (if not specified elsewhere), corporations, insurance companies,, government institutions, funds and SOEs, local individuals and others (e.g., societies, clubs, associations), (3) Including Treasury securities used for repurchase transaction allocations, (4) As at end 2022, (5) Commercial loans in local currency and banks' overdraft ,(6) CBSL advances are reimbursed at a 0% interest rate



Domestic debt optimization is expected to be implemented by May 2023 while external debt restructuring is expected to be implemented by September 2023



Nation Lanka Equities (Pvt) Ltd.

ACTION PLAN

		March	April	May	June	July	August	Sept.
IMF	1. Key milestones with respect to the IMF							
	Board Approval	✓						
	1st Program Review							
CREDITOR ENGAGEMENT	2. Engagement with domestic creditors							
	Assessment of the domestic debt optimization operation							
	Implementation phase							
	3. Engagement with external creditors (both official and private)							
	Technical discussions with creditors							
	Negotiation phase							
	Implementation phase							

▶ SL authorities envisage to finalize the domestic debt optimization operation by May 2023, and the external debt restructuring exercise by September 2023



Disclaimer

The report has been prepared by Nations Lanka Equities (Pvt) Ltd.. The information and opinions contained herein has been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. Such information has not been independently verified, no representation or warranty, express or implied is made as to its accuracy, completeness or correctness, reliability or suitability. All such information and opinions are subject to change without notice and are not responsible for the communication of the same. This document is for information purposes only, descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments. In no event will Nations Lanka Equities (Pvt) Ltd. be liable for any loss or damage including without limitation, indirect or consequential loss or damage, or any loss or damage whatsoever arising out of, or in connection with the use of this report and any reliance you place on such information is therefore strictly at your own risk.

Nations Lanka Equities (Pvt) Ltd. may, to the extent permissible by applicable law or regulation, use the above material, conclusions, research or analysis in which they are based before the material is disseminated to their customers. Not all customers will receive the material at the same time. Nations Lanka Equities (Pvt) Ltd., their respective directors, officers, representatives, employees, related persons and/or Nations Lanka Equities (Pvt) Ltd., may have a long or short position in any of the securities or other financial instruments mentioned or issuers described herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale of any such securities or other financial instruments from time to time in the open market or otherwise, in each case either as principal or agent.

The information contained in this report is for general information purposes only. This report and its content is copyright of Nations Lanka Equities (Pvt) Ltd. and all rights reserved. This report- in whole or in part- may not, except with the written permission of Nations Lanka Equities (Pvt) Ltd. be reproduced or distributed or commercially exploited in any material form by any means whether graphic, electronic, mechanical or any means.