Sri Lanka- Bond Restructuring

Nation Lanka Equities (Pvt) Ltd.

- Post initial round of discussions with private creditors, Sri Lanka agreed to issue bonds linked to economic performance as part of its debt restructuring efforts.

- Bond holders' proposal that was submitted in April presented a revised Macro Linked Bonds (MLB) with lower coupons. (Proposal sent by Sri Lanka with its own debt treatment proposal to the Group's advisors was meantime rejected which has combining plain vanilla bonds and state contingent adjustment factors).

- Sri Lanka has USD 12.55Bn of bonds and estimated USD 1.6Bn of missed coupons. Fresh proposal considers Sri Lanka’s forecast on a downside and a upside scenario in case of GDP overperformance (underperformance) in comparison with the IMF baseline and accounts to an appx 28% haircut on the nominal value of the existing bonds and upfront fee of 1.8% . Missed coupons meanwhile be converted to plain vanilla bonds not linked to economic performance.

- Sri Lanka has also indicated its willingness to include an ESG component to the debt treatment agreement as its believed that Governance-linked bond as an efficient incentive for the authorities to improve governance and reduce corruption vulnerability. Key performance indicators include tax revenue targets to GDP (14.0% in 2026 and 14.1% in 2027) and corruption disclosures to coupon payments such as Publication of public procurement contracts and Publication of information on tax exemptions.