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### PRESS RELEASE

#### SRI LANKA REACHES DEBT RESTRUCTURING AGREEMENTS IN PRINCIPLE WITH EXTERNAL CREDITORS ON APPROXIMATELY US\$ 17.5 BN OF SOVEREIGN DEBT

The Ministry of Finance of the Democratic Socialist Republic of Sri Lanka ("Sri Lanka") is pleased to announce that it has reached agreements in principle on the restructuring of approximately US\$ 14.2bn of sovereign debt (as of end 2023) with the holders of its International Sovereign Bonds (the "Bonds"), following negotiations with the Ad Hoc Group of Bondholders ("AHGB"), a representative group of international investors, and the Local Consortium of Sri Lanka ("LCSL"), a representative group of domestic financial institutions. Collectively, the two groups hold in excess of 50% of the Bonds.

The agreement in principle with the AHGB follows the first agreement reached with the AHGB in early July 2024 on the key terms of a contingent debt treatment, providing Sri Lanka with varying levels of debt relief depending on the future economic performance of the country. Following consultations with the IMF over the past few months, to ensure that the agreed terms were fully compatible with the Debt Sustainability Analysis (DSA) under Sri Lanka's IMF-supported program, Sri Lanka and the AHGB were able to finalize the precise set of terms aimed at delivering the appropriate debt relief to Sri Lanka.

The agreement in principle with the LCSL follows negotiations over more than a year, and reflects domestic holders' preference for a non-contingent debt treatment. It contemplates the exchange of Bonds held by domestic holders, for a mix of new plain vanilla USD and LKR denominated instruments with a reduced aggregate principal amount.

The full set of terms agreed in principle with the two groups can be found in a document posted with the Singapore Stock Exchange earlier today and available at the following link: [Sri Lanka - Announcement of Agreement in Principle - 19\\_09\\_2024.ashx \(sgx.com\)](https://www.sgx.com/announcements/Sri-Lanka-Announcement-of-Agreement-in-Principle-19-09-2024.ashx)

Under these agreements, it is expected that Sri Lanka will benefit from an upfront debt stock reduction of approximately US\$ 3.2bn, which could increase up to a maximum of US\$ 4.6bn in case of an economic downturn or decrease down to a minimum of US\$ 2.0bn if Sri Lanka's economic performance exceeds expectations by a significant margin.

In addition, under the baseline debt treatment scenario, the Government's debt service payments over the IMF program period will be reduced by approximately US\$ 9.5bn, the average maturity of the Bonds extended by over 5 years and interest rate reduced from 6.4% to 4.4% on average.

Under the agreements, holders of the Bonds will be consenting to a present value concession of 40.3% in the baseline scenario, calculated with a discount factor of 11%. In respect of the highest state (resulting from the most significant economic outperformance), bondholders' present value concession relative to the JWF has increased from 27% to 33%.

Compared to July's JWF, coupon adjustments for the highest state were reduced by roughly 160 basis points. Similarly, the coupon adjustments for the second highest state were reduced by roughly 60 basis points.

Sri Lanka is also pleased to announce that it has finalized agreement in principle with China Development Bank ("CDB") on the key financial terms of the restructuring of approximately US\$ 3.3bn of sovereign debt, based on a set of terms initially agreed in May 2024 following months of good faith engagement.

The agreements in principle with the AHGB, the LCSL and CDB almost complete Sri Lanka's sovereign debt restructuring exercise, as agreed under the IMF-supported program to restore the country's long-term sovereign debt sustainability.

Overall, thanks to the agreements already achieved with Eximbank of China and members of Sri Lanka's Official Creditor Committee ("OCC") as well as CDB and bondholders, Sri Lanka will have obtained over USD 17bn of debt service relief during the IMF program period (around USD 2.4bn from Eximbank of China, USD 2.9bn from the OCC, USD 2.5bn from CDB and USD 9.5bn from the bondholders).

Sri Lanka extends its deepest appreciation to all creditors as well as the IMF and the OCC Secretariat for their good faith engagement and continuous support throughout this process.