

1. Group's March Proposal

Indicative term sheet for Macro-Linked Bonds (1/2)

Indicative terms of new bonds under an MLB structure^{1,2} (under Alternative Baseline)

Instrument type	Bonds instalments	Notional amount at exchange date (US\$m)	PIK accumulated (2023-2027, US\$m)	Notional at end 2027 including PIK (US\$m)	Coupon rate		
					Up to 2027		2028 onwards (cash)
					Cash	PIK	
Past Due Interest²		1,678					
Plain Vanilla #1	2024	270	n.a.	n.a.	4.00%	n.a.	n.a.
	2025	270	n.a.	n.a.	4.00%	n.a.	n.a.
	2026	270	n.a.	n.a.	4.00%	n.a.	n.a.
	2027	270	n.a.	n.a.	4.00%	n.a.	n.a.
	2028	598	n.a.	n.a.	4.00%	n.a.	n.a.
New bonds instalments		10,040					
MLB #1	2029	750	94	844	4.00%	3.00%	7.75%
	2030	750	94	844	4.00%	3.00%	7.75%
MLB #2	2031	1,000	126	1,126	4.25%	3.00%	8.00%
MLB #3	2032	750	94	844	4.25%	3.00%	8.00%
	2033	750	94	844	4.25%	3.00%	8.00%
MLB #4	2034	1,250	157	1,407	4.50%	3.00%	8.25%
	2035	1,250	157	1,407	4.50%	3.00%	8.25%
	2036	1,250	157	1,407	4.50%	3.00%	8.25%
MLB #5	2037	573	72	644	4.50%	3.00%	8.25%
	2038	573	72	644	4.50%	3.00%	8.25%
	2039	573	72	644	4.50%	3.00%	8.25%
	2040	573	72	644	4.50%	3.00%	8.25%

- **Post 20% nominal haircut on new bonds**
- **No haircut on PDIs**

Key evolutions of the MLB structure :

- **New bonds amortizing from 2029** (vs. 2027 previously)
- **Additional instalments introduced** (final instalment in 2040 vs. 2036 previously)
- **Amended PDI amortization profile**
- **Lower PIK coupons** (3% vs. 4% previously)
- **Observation period expanded** from 2 to 3 years
- **Inclusion of a downward adjustment** below the IMF baseline

Note 1. Terms calibrated under a DSA based on public debt stock at end-2023

Note 2. "PDIs" capitalized into a new instrument. PDIs based on estimated past due interest accumulated at end Dec-2023, i.e. \$1,678m (to be updated at the time of the debt exchange).

Indicative term sheet for Macro-Linked Bonds (2/2)

Overview of MLB adjustment mechanisms

Overview of GDP thresholds under the updated MLB structure

Baseline	US\$ nominal GDP (avg. 2025-2027, billion)	Downside adjustments	
		Weighted incremental haircut ¹	Average coupon post 2028
Upside scenario	96.3	-	8.2%
GDP threshold #1	93.9	-	7.3%
GDP threshold #2	90.1	-	6.1%
GDP threshold #3	86.3	11%	5.4%
IMF baseline	84.2	19%	5.4%
Downside scenario	80.5	36%	5.0%

Note 1. Additional Haircut triggered by the adjustment (as a % of 2027 nominal including PIK)

2. Sri Lanka's Proposal

Introducing the Proposed “GDP-Linked A/B Bond” Solution

*Bondholders would exchange their ISBs
holdings against a basket of:*

7 A-Bonds + 1 PDI Bond



3 B-Bonds

- *Plain Vanilla Bonds, with no contingent features*
- *Fixed cashflows, independent of macroeconomic developments*

- *B-Bonds, with financial terms subject to adjustments in early 2028 by reference to Sri Lanka's macroeconomic performance up to such date*
- *Adjustments to the B-bonds would be based on a “dual one-time test”, pursuant to which Sri Lanka's USD GDP for 2027 would be compared to reference levels but subject to actual cumulated real GDP growth in the period 2024-2027*

Indicative Initial Terms of the New Eurobonds (*assuming 100% participation*)

Indicative terms on the Eurobonds ¹						
	Final maturity	Nominal amount		Coupon rate ²		
		Year	In USDm	Up to 2028 (incl.)	From 2029 until 2032 (incl.)	From 2033 until maturity (incl.)
8 Plain Vanilla Bonds	PDI Bond	2024-2028 <i>Progressive amortization³</i>	1,341	3.0%		
	A-Bonds	2029	791	4.5%	6.0%	
		2030	879	4.5%	6.0%	
		2031	879	4.5%	6.0%	
		2032	879	4.5%	6.0%	
		2033	879	4.5%	6.0%	9.0%
		2034	879	4.5%	6.5%	9.0%
		2035	879	4.5%	6.5%	9.0%
3 « MLB-type » Bonds	B-Bonds (before any adjustments)	2036	966	4.0%	4.0%	4.0%
		2037	879	4.0%	4.0%	4.0%
		2038	879	4.0%	4.0%	4.0%
TOTAL AMOUNT			10,126⁴	Avg. 4.2%	Avg. 5.4%	Avg. 5.4%

Notes: (1) The Republic of Sri Lanka reserves the right to merge/group some of the Eurobonds described above, to ensure a sufficient issuance size for each new instrument, (2) Semi annual coupon payments, (3) Amortization schedule as follows: 15% of the outstanding amount yearly paid between 2024 and 2027, and 40% in 2028, (4) Overall haircut of 28.8% on the outstanding claim (30% on the face value, 20% on PDIs).

Introduction to the Proposed B-Bonds

1 **Dual one-time test:**

- The adjusted financial terms of the B-Bonds would be determined by reference to a dual one-time test (conducted in 2028), pursuant to which **Sri Lanka's USD Nominal GDP for 2027** would be compared to reference levels but subject to **actual cumulated real GDP growth in the period 2024-27**
- **Reference levels for Sri Lanka's USD GDP in 2027 would be set at 5%, 10%, 15% and 20% below and above the baseline level**, creating 9 different zones, associated with 9 different sets of financial parameters for the B-Bonds. **Adjustments to payments would be conditioned on the cumulative real GDP growth between now and 2027**, as compared to the baseline

2 **Adjustment mechanisms:**

- Upside adjustments to the B-Bonds' baseline financial terms would be implemented by way of (1) accelerating amortization, (2) increasing the principal amount (with the increase varying depending on the zone), and (3) increasing the coupon rates after 2028 (with the increase again varying depending on the zone)
- Conversely, any downside adjustment in the payment terms of the B-Bonds terms would take the form of downward adjustments to principal (subject to a floor at zero) and lowering of coupon rates

3 **Nature of the adjustments:** Adjustments to financial parameters of the B-Bonds would be definitive and irrevocable

The Dual One-Time Test Determines the B-Bonds' Adjustors

Distribution around the IMF baseline		2 Test variable 2: Performance in cumulated real GDP growth (2024-2027) relative to IMF Baseline ¹							
		[... ; -12%[	[-12% ; -7%[	[-7% ; -4%[	[-4% ; 0%[	[0% ; 4%[	[4% ; 7%[	[7% ; 12%[	[12% ; ...[
Below -20%	[... ; 69.8[	Adjustors #4-	Adjustors #3-	Adjustors #2-	Adjustors #1-	Baseline	Baseline	Baseline	Baseline
From -20% to -15%	[69.8 ; 74.1[	Adjustors #3-	Adjustors #3-	Adjustors #2-	Adjustors #1-	Baseline	Baseline	Baseline	Baseline
From -15% to -10%	[74.1 ; 78.5[	Adjustors #2-	Adjustors #2-	Adjustors #2-	Adjustors #1-	Baseline	Baseline	Baseline	Baseline
From -10% to -5%	[78.5 ; 82.9[	Adjustors #1-	Adjustors #1-	Adjustors #1-	Adjustors #1-	Baseline	Baseline	Baseline	Baseline
From -5% to 5%	[82.9 ; 91.6[	Baseline	Baseline	Baseline	Baseline	Baseline	Baseline	Baseline	Baseline
From 5% to 10%	[91.6 ; 95.9[	Baseline	Baseline	Baseline	Baseline	Adjustors #1+	Adjustors #1+	Adjustors #1+	Adjustors #1+
From 10% to 15%	[95.9 ; 100.3[	Baseline	Baseline	Baseline	Baseline	Adjustors #1+	Adjustors #2+	Adjustors #2+	Adjustors #2+
From 15% to 20%	[100.3 ; 104.7[	Baseline	Baseline	Baseline	Baseline	Adjustors #1+	Adjustors #2+	Adjustors #3+	Adjustors #3+
Above 20%	[104.7 ; ...[	Baseline	Baseline	Baseline	Baseline	Adjustors #1+	Adjustors #2+	Adjustors #3+	Adjustors #4+

Note: (1) This variable would be assessed as the variation between the actual cumulated real GDP growth and the cumulated real GDP growth under the IMF baseline projections

Indicative terms of the B-Bonds and Adjustment Mechanisms – *Upside Adjustments*

Post-2027 Adjustments		Capital Adjustment		Coupon rate adjustment			Amortization adjustment
Scenarios	B-Bonds	Capital Adjustment Factor	Nominal Value of the B-Bonds ¹ (in USDm)	From 2024 until 2027 (incl.)	From 2028 until 2032 (incl.)	From 2033 until maturity	
No adjustment (reference)	B-Bond 2036	100%	966	4.0%	4.0%	4.0%	Bullet; final maturity in 2036
	B-Bond 2037	100%	879	4.0%	4.0%	4.0%	Bullet; final maturity in 2037
	B-Bond 2038	100%	879	4.0%	4.0%	4.0%	Bullet; final maturity in 2038
Adjustors #1+	B-Bond 2036	120%	1,160	4.0%	4.0%	4.0%	3% ² (2028-32), 7% (2033-35), 64% (2036)
	B-Bond 2037	120%	1,054	4.0%	4.0%	4.0%	3% ² (2028-32), 7% (2033-35), 64% (2037)
	B-Bond 2038	120%	1,054	4.0%	4.0%	4.0%	3% ² (2028-32), 7% (2033-35), 64% (2038)
Adjustors #2+	B-Bond 2036	135%	1,305	4.0%	4.5%	6.5%	Similar to adjustors #1+
	B-Bond 2037	135%	1,186	4.0%	4.5%	6.5%	Similar to adjustors #1+
	B-Bond 2038	135%	1,186	4.0%	4.5%	6.5%	Similar to adjustors #1+
Adjustors #3+	B-Bond 2036	150%	1,450	4.0%	5.5%	7.5%	Similar to adjustors #1+
	B-Bond 2037	150%	1,318	4.0%	5.5%	7.5%	Similar to adjustors #1+
	B-Bond 2038	150%	1,318	4.0%	5.5%	7.5%	Similar to adjustors #1+
Adjustors #4+	B-Bond 2036	165%	1,594	4.0%	6.5%	9.0%	Similar to adjustors #1+
	B-Bond 2037	165%	1,450	4.0%	6.5%	9.0%	Similar to adjustors #1+
	B-Bond 2038	165%	1,450	4.0%	6.5%	9.0%	Similar to adjustors #1+

Notes: (1) Nominal Value of the B-Bonds after the dual one-time test, depending on the adjustors, (2) In % of B-Bonds nominal amount (yearly amortization)

Indicative terms of the B-Bonds and Adjustment Mechanisms – *Downside Adjustments*

Post-2027 Adjustments		Capital Adjustment		Coupon rate adjustment			Amortization adjustment
Scenarios	B-Bonds	Capital Adjustment Factor	Nominal Value of the B-Bonds ¹ (in USDm)	From 2024 until 2027 (incl.)	From 2028 until 2032 (incl.)	From 2033 until maturity	
No adjustment (reference)	B-Bond 2036	100%	966	4.0%	4.0%	4.0%	Bullet; final maturity in 2036
	B-Bond 2037	100%	879	4.0%	4.0%	4.0%	Bullet; final maturity in 2037
	B-Bond 2038	100%	879	4.0%	4.0%	4.0%	Bullet; final maturity in 2038
Adjustors #1-	B-Bond 2036	75%	725	4.0%	2.5%	2.0%	No adjustment
	B-Bond 2037	75%	659	4.0%	2.5%	2.0%	No adjustment
	B-Bond 2038	75%	659	4.0%	2.5%	2.0%	No adjustment
Adjustors #2-	B-Bond 2036	50%	483	4.0%	2.0%	1.0%	No adjustment
	B-Bond 2037	50%	439	4.0%	2.0%	1.0%	No adjustment
	B-Bond 2038	50%	439	4.0%	2.0%	1.0%	No adjustment
Adjustors #3-	B-Bond 2036	25%	242	4.0%	2.0%	0.5%	No adjustment
	B-Bond 2037	25%	220	4.0%	2.0%	0.5%	No adjustment
	B-Bond 2038	25%	220	4.0%	2.0%	0.5%	No adjustment
Adjustors #4-	B-Bond 2036	0%	-				
	B-Bond 2037	0%	-				
	B-Bond 2038	0%	-				

Note: (1) Nominal Value of the B-Bonds after the dual one-time test, depending on the adjustors

3. Group's April Proposal

Indicative term sheet for Macro-Linked Bonds (1/2)

Indicative terms of new bonds under an MLB structure^{1,2} (under IMF Baseline)

Instrument type	Bonds instalments	Notional amount at exchange date (US\$m)	Notional at end 2027 (US\$m)	Coupon rate		
				Up to 2027 (cash)	2028-2032 (cash)	2033 onwards (cash)
Past Due Interest²		1,678				
Plain Vanilla #1 ³	2024	336	n.a.	4.00%	n.a.	n.a.
	2025	336	n.a.	4.00%	n.a.	n.a.
	2026	336	n.a.	4.00%	n.a.	n.a.
	2027	336	n.a.	4.00%	n.a.	n.a.
	2028	336	n.a.	4.00%	n.a.	n.a.
New bonds instalments		9,036				
MLB #1	2029	650	650	3.75%	4.00%	-
	2030	650	650	3.75%	4.00%	-
MLB #2	2031	900	900	4.00%	4.25%	-
	2032	900	900	4.00%	4.25%	-
	2033	900	900	4.00%	4.25%	8.75%
Plain Vanilla #2 ³	2034	800	800	4.25%	6.00%	9.25%
	2035	800	800	4.25%	6.00%	9.25%
MLB #3	2036	1,250	1,250	4.25%	4.50%	9.50%
MLB #4	2037	1,093	1,093	4.25%	4.50%	9.75%
	2038	1,093	1,093	4.25%	4.50%	9.75%

- **28% haircut on the nominal amount of existing bonds**
- **No haircut on PDIs**
- **Consent fee representing c.1.8% of original principal claim (excl. PDIs, US\$ 225m) to be paid upfront**

Key evolutions of the MLB structure :

- **A “shift” in the structure of the MLB, which is now centered on the IMF baseline,**
 - **Upside (downside) adjustments triggered** in case of GDP overperformance (underperformance) in comparison with the IMF baseline
- **Inclusion of an additional downside threshold** below the IMF baseline
- **Inclusion of a new vanilla bond**
- **Less instalments** (final instalment in 2038 vs. 2040 previously)

Note 1. Terms calibrated under a DSA based on public debt stock at end-2023

Note 2. “PDIs” capitalized into a new instrument. PDIs based on estimated past due interest accumulated at end Dec-2023, i.e. \$1,678m (to be updated at the time of the debt exchange)

Note 3. New vanilla bond could potentially be structured (in whole or in part) as a “Governance-Linked Bond”

Indicative term sheet for Macro-Linked Bonds (2/2)

Overview of MLB adjustment mechanisms

Overview of GDP thresholds under the updated MLB structure

Baseline	US\$ nominal GDP (avg. 2025-2027, billion)	Adjustments		
		Weighted incremental principal reinstatement (haircut if negative) ¹	2028 principal (as a % of original claim excluding PDIs)	Average coupon post 2028
Alternative baseline (MLB)	96.3	28.8%	92.7%	8.5%
GDP threshold #1	93.9	24.7%	89.8%	8.1%
GDP threshold #2	90.1	20.6%	86.8%	7.4%
GDP threshold #3	86.3	8.2%	77.9%	6.8%
IMF baseline	84.2	-	72.0%	6.4%
Threshold below IMF baseline #1	80.5	(18.9%)	58.4%	6.0%
Threshold below IMF baseline #2	77.6	(37.0%)	45.3%	5.8%

Note 1. Triggered by the adjustment (as a % of 2027 principal)

4. Governance Linked Bond

Overview of GLB key proposed features (1/2)

- ⇒ **Including an ESG component to the debt treatment agreement**, focusing on governance aspects, and mimicking the structure of Sustainability-Linked bonds (applicable to non-MLB instruments, with target size of \$500m to \$1bn)
- ⇒ **Governance-linked bond as an efficient incentive for the authorities to improve governance and reduce corruption vulnerability**, benefitting both the country and bondholders
- ⇒ **Coupon step down structure, with single adjustment triggered** in case all indicators meet performance targets at a specific date
- ⇒ **Final structure to be refined in good faith and in close coordination with the Sri Lankan authorities**

1 Selected performance indicators	<ul style="list-style-type: none">■ Set of transparent and easily measurable governance criteria■ GLB adjustment based on [2] Key Performance Indicators (KPIs), including<ul style="list-style-type: none">□ <u>1 quantitative target</u>: government tax revenue-to-GDP□ <u>1 qualitative target</u>: based on IMF program commitments, to be discussed (<i>see next page</i>)
2 Measurement date	<ul style="list-style-type: none">■ Aligned on MLB: H1-2028, based on performance in [2026 or 2027]
3 Adjustment date	<ul style="list-style-type: none">■ Downward coupon adjustment potentially triggered in [June] 2028 if both targets met
4 Test & coupon adjustment mechanism	<ul style="list-style-type: none">■ [50] bps downward coupon adjustment <u>if both targets are met</u>
5 External party assessment	<ul style="list-style-type: none">■ External review by independent entity (Moody's ESG Solutions, Sustainalytics, ...)

Overview of GLB key proposed features (2/2)

GLB structured based on 2 Key Performance Indicators (KPIs)

⇒ **The coupon step-down would be activated if all of [two] KPIs are successfully met**, including one “quantitative” KPI and one “qualitative” reform target

1

KPI #1

Quantitative

⇒ **Tax revenue-to-GDP ratio for [2026] or [2027]¹**

- For reference, IMF program tax revenue-to-GDP target: 14.0% in 2026 and 14.1% in 2027

2

KPI #2

Qualitative

⇒ **Selected reforms envisaged under the current IMF program (“Structural Benchmarks”), in particular:**

- **Publication of public procurement contracts:** publish online semi-annually all public procurement contracts above Rs. 1 billion, along with comprehensive information in a searchable format on contract award winners, is confirmed by IMF reviews as met with at least 4 satisfactory semi-annual updates after the first date of publication, being confirmed as met by IMF reviews by end 2026.
- **Publication of information on tax exemptions:** publish online semi-annually a list of all firms receiving tax exemptions through various legal provisions, alongside the estimation of the value of the tax exemption, is confirmed by IMF reviews as met with at least 4 semi-annual updates after the first date of publication, being confirmed as met by IMF reviews by end 2026.
- **The Sri Lanka Authorities may also suggest their own governance targets, along with their associated measurement and verification method**, to be subsequently discussed with the Steering Committee, so as to define the GLB mutually, in good faith