

2015

Public Debt Management in Sri Lanka

Performance in 2015 and
Strategies for 2016 and beyond



Public Debt Department
Central Bank of Sri Lanka

Public Debt Management in Sri Lanka

Performance in 2015

&

Strategies for 2016 and beyond



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Abbreviations

| | | | |
|-----------|--------------------------------------|----------|--|
| ABMI | Asian Bond Market Initiatives | OED | Outstanding External Debt |
| ADB | Asian Development Bank | OTC | Over The Counter |
| ATM | Average Time to Maturity | PDD | Public Debt Department |
| ATR | Average Time to Refixing | PD | Primary Dealer |
| BCP | Business Continuity Plan | PDU | Primary Dealer Unit |
| BPS | Basis Points | PMWAYR | Primary Market Weighted Average Yield Rates |
| CAR | Capital Adequacy Ratio | Repo | Repurchase |
| CBSL | Central Bank of Sri Lanka | ROA | Return on Assets |
| CCP | Central Counterparty | Road Map | 'ROAD MAP: Monetary and Financial Sector Policies |
| CCPI | Colombo Consumer Price Index | ROE | Return On Equity |
| CDS | Central Depository System | RSSO | Registered Stocks and Securities Ordinance |
| CIPC | Cash In Process of Collection | RTGS | Real Time Gross Settlement System |
| CPC | Ceylon Petroleum Corporation | RWCAF | Risk Weighted Capital Adequacy Framework |
| CSE | Colombo Stock Exchange | RWCAR | Risk Weighted Capital Adequacy Ratio |
| CWE | Corporative Wholesale Establishment | SDR | Special Drawing Right |
| DDP | Dealer Direct Participant | SEC | Securities and Exchange Commission of Sri Lanka |
| DRS | Disaster Recovery Site | SOE | State Owned Enterprise |
| DVP | Delivery Versus Payment | S&P | Standard and Poor's |
| EPF | Employees' Provident Fund | SIA | Securities Investment Account |
| ETF | Employees' Trust Fund | SLDB | Sri Lanka Development Bond |
| E-Trading | Electronic Trading | SLIBOR | Sri Lanka Inter Bank Offered Rate |
| Fitch | Fitch Ratings | SPD | Superintendent of Public Debt |
| GDP | Gross Domestic Product | SSSS | Scripless Securities Settlement System |
| GNP | Gross National Product | T-bill | Treasury bill |
| GOSL | Government of Sri Lanka | T-bond | Treasury bond |
| IDA | International Development Agency | TDS | Total External Debt Service Payments |
| IDR | Issuer Default Rating | WAYR | Weighted Average Yield Rate |
| IMF | International Monetary Fund | WB | World Bank |
| INT | Interest Payment (External) | XGS | Receipts in exports of goods and non-factor services including workers' remittances and compensation of employees. |
| ISB | International Sovereign Bond | | |
| KPI | Key Performance Indicator | | |
| LCB | Licensed Commercial Bank | | |
| LIBOR | London Inter-Bank Offered Rate | | |
| LTBO | Local Treasury Bills Ordinance | | |
| MLDS | Medium to Long-Term Debt Service | | |
| Moody's | Moody's Investors Service | | |
| MTDS | Medium Term Debt Management Strategy | | |
| NPV | Net Present Value | | |
| NSB | National Savings Bank | | |
| O/D | Over Draft facility | | |
| OBU | Off-shore Banking Unit | | |

| KEY GOVERNMENT DEBT INDICATORS | | | | | | | | | |
|---|-----------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------------------|------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015^(a) | |
| Borrowings | | | | | | | | | |
| Approved Gross Borrowing Limit (Rs.bn) | 689.0 | 1050.0 | 980.0 | 997.0 | 1,139.0 | 1,302.5 | 1,478.0 | 1,780.0 | |
| Actual Gross Borrowing (Rs.bn) | 689.0 | 999.1 | 922.1 | 994.1 | 1,139.0 | 1,301.2 | 1,453.3 | 1,695.3 | |
| Domestic Sources | 559.4 | 643.3 | 594.2 | 671.3 | 656.7 | 952.5 | 1,006.3 | 1,139.0 | |
| Foreign Sources | 129.6 | 355.8 | 327.9 | 322.8 | 482.3 | 348.7 | 447.0 | 556.3 | |
| Actual Net Borrowing (Rs.bn) | 322.3 | 483.6 | 451.0 | 457.4 | 489.0 | 601.2 | 591.2 | | |
| Domestic Sources | 314.3 | 242.6 | 201.3 | 233.4 | 286.5 | 456.5 | 378.7 | | |
| Foreign Sources | 8.0 | 241.0 | 249.7 | 224.0 | 202.5 | 144.7 | 212.5 | | |
| Outstanding Debt | | | | | | | | | |
| Outstanding Government Debt (Rs.bn) | 3,588.9 | 4,161.4 | 4,590.2 | 5,133.4 | 6,000.1 | 6,793.2 | 7,390.9 | 8,503.2 | |
| Domestic Debt | 2,140.2 | 2,400.9 | 2,565.6 | 2,804.1 | 3,232.8 | 3,832.8 | 4,277.8 | 4,959.2 | |
| Foreign Debt | 1,448.7 | 1,760.5 | 2,024.6 | 2,329.3 | 2,767.3 | 2,960.4 | 3,113.1 | 3,544.0 | |
| Outstanding Debt (% of GDP) | 81.37 | 6.25 | 1.57 | 1.11 | 68.71 | 70.82 | 70.74 | 76.04 | |
| By Source | | | | | | | | | |
| Domestic Debt | 48.52 | 49.76 | 0.00 | 8.84 | 37.02 | 39.96 | 40.94 | 44.34 | |
| Foreign Debt | 32.85 | 6.49 | 1.57 | 2.27 | 31.69 | 30.86 | 29.79 | 1.69 | |
| By Currency | | | | | | | | | |
| Domestic | 44.74 | 49.59 | | | | | | | |
| Foreign | 36.63 | 36.65 | | | | | | | |
| ATM of Total Debt (Years) | n.a. | 5.29 | 5.25 | 5.41 | 5.74 | 6.92 | 6.62 | 6.72 | |
| ATM of Domestic Debt (Years) | 2.17 | 2.25 | 2.10 | 2.35 | 3.23 | 4.82 | 5.75 | 6.28 | |
| Share of Domestic Debt in Total Outstanding Debt (%) | 59.63 | 57.70 | 55.89 | 54.62 | 53.88 | 56.42 | 57.88 | 58.32 | |
| Interest Cost | | | | | | | | | |
| Total Interest Cost (Rs.bn) | 212.5 | 309.6 | 352.6 | 356.7 | 408.5 | 462.9 | 443.6 | | |
| Domestic Debt | 182.2 | 273.9 | 297.1 | 288.1 | 317.7 | 354.7 | 327.9 | | |
| Foreign Debt | 30.3 | 35.7 | 55.5 | 68.6 | 90.8 | 108.2 | 115.7 | | |
| Interest Cost/GDP ratio (%) | 4.82 | 6.40 | 6.29 | 5.45 | 5.39 | 5.34 | 4.53 | | |
| Interest Cost/Government Revenue ratio (%) | 32.43 | 44.27 | 43.14 | 38.16 | 41.35 | 40.69 | 37.11 | | |
| Average Yield Rates (Primary Market Weighted Average) | | | | | | | | | |
| T-bills | 91 day | 18.54 | 11.43 | 7.86 | 7.28 | 10.72 | 8.95 | 6.58 | 6.32 |
| | 182 day | 18.45 | 12.18 | 8.42 | 7.21 | 12.29 | 9.91 | 6.57 | 6.50 |
| | 364 day | 18.89 | 12.76 | 8.43 | 7.41 | 12.14 | 10.65 | 6.73 | 6.60 |
| | Overall Average | 18.59 | 12.25 | 8.32 | 7.31 | 11.81 | 10.45 | 6.68 | 6.46 |
| T-bonds | 2-year | 18.95 | 16.32 | 9.46 | 7.77 | 11.30 | 11.02 | n.a. | 7.98 |
| | 4-year | 17.87 | 14.29 | 9.65 | 8.23 | 11.58 | n.a. | n.a. | 8.68 |
| | 5-year | 17.00 | 11.20 | 9.31 | 8.55 | 13.32 | 10.95 | 8.78 | 8.63 |
| | 10-year | - | 13.39 | 9.59 | 9.15 | 14.00 | 11.80 | 10.00 | 9.78 |
| | Overall Average | 18.59 | 14.69 | 9.45 | 8.64 | 12.46 | 11.72 | 10.17 | 9.46 |
| Foreign Investment in Government Securities | | | | | | | | | |
| Non-residents' Holdings as a % of Total outstanding Stock - T-bonds | 1.36 | 8.75 | 10.04 | 9.88 | 9.91 | 10.83 | 9.82 | 6.85 | |
| Non-residents' Holdings as a % of Total outstanding Stock - T-bills | 1.55 | 8.39 | 10.02 | 10.61 | 11.31 | 9.55 | 7.40 | 0.76 | |

n.a.: not available

(a) Provisional

| KEY ECONOMIC INDICATORS | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|---------------------------|---------------------------|
| | 2000 | 2010 | 2011 | 2012 | 2013 | 2014^(a) | 2015^(a) |
| DEMOGRAPHY | | | | | | | |
| Mid-year population ('000 persons) | 19,102 | 20,675 | 20,869(a) | 20,424(a) | 20,579(a) | 20,771 | 20,996 |
| Growth of mid-year population (per cent) | 1.4 | 1.0 | 1.0 | 0.7(a) | 0.8 | 0.9 | 0.9 |
| Population density (persons per sq.km.) | 305 | 330 | 333 | 326(a) | 328(a) | 331 | 334 |
| Labour force ('000 persons) | 6,827 | 8,108 | 8,555 | 8,454 | 8,802 | 8,805 | 8,973 |
| Unemployment rate (per cent of labour force) | 7.6 | 4.9 | 4.2 | 4.0 | 4.4 | 4.3 | 4.6 |
| OUTPUT | | | | | | | |
| GDP at current market prices (Rs. billion) | 1,258 | 6,414 | 7,219 | 8,732 | 9,592 | 10,448 (b) | 11,183 |
| GNI at current market prices (Rs. billion) | 1,233 | 6,344 | 7,147 | 8,578 | 9,366 | 10,212 (b) | 10,932 |
| Per capita GDP at market prices (Rs.) | 65,838 | 310,214 | 345,925 | 427,559 | 466,112 | 503,032(b) | 533,398 |
| Per capita GDP at market prices (USD) | 869 | 2,744 | 3,129 | 3,351 | 3,610 | 3,853(b) | 3,924 |
| REAL OUTPUT (percentage change) | | | | | | | |
| GNI | 5.8 | 7.9 | 8.5 | 8.3 | 2.8 | 4.9(b) | 4.8 |
| GDP | 6.0 | 8.0 | 8.4 | 9.1 | 3.4 | 4.9(b) | 4.8 |
| PRICES AND WAGES (percentage change) | | | | | | | |
| CCPI (2006/07 = 100) - annual average (c) | - | 6.2 | 6.7 | 7.6 | 6.9 | 3.3 | 0.9 |
| CCPI (2006/07 = 100) - year-on-year - end period | - | 6.8 | 4.9 | 9.2 | 4.7 | 2.1 | 2.8 |
| NCPI (2013 = 100) - annual average (d) | - | - | - | - | - | - | 3.8 |
| NCPI (2013 = 100) - year-on-year - end period | - | - | - | - | - | - | 4.2 |
| Wholesale Price Index (1974 = 100) - annual average | 1.7 | 11.2 | 10.6 | 3.5 | 9.2 | 3.2 | 1.0 |
| GDP deflator | 6.7 | 7.3 | 3.8 | 10.8 | 6.2 | 3.9(b) | 2.1 |
| EXTERNAL TRADE | | | | | | | |
| Trade balance (USD million) | -1,798 | -4,825 | -9,710 | -9,417 | -7,609 | -8,287 | -8,430 |
| Exports (USD million) | 5,522 | 8,626 | 10,559 | 9,774 | 10,394 | 11,130 | 10,505 |
| Imports (USD million) | 7,320 | 13,451 | 20,269 | 19,190 | 18,003 | 19,417 | 18,935 |
| EXTERNAL FINANCE | | | | | | | |
| Services and income account (net) (USD million) | -267 | 90 | 452 | 43 | -572 | 72 (b) | 228 |
| Current account balance (USD million) | -1,066 | -1,075 | -4,615 | -3,982 | -2,541 | -1,988 (b) | -2009 |
| Overall balance (USD million) | -522 | 921 | -1,059 | 151 | 985 | 1,369 | -1,489 |
| Current account balance (per cent of GDP) | -6.4 | -1.9 | -7.1 | -5.8 | -3.4 | -2.5(b) | -2.4 |
| Gross official reserves (months of same year imports) | 1.7 | 6.4 | 4.0 | 4.4 | 5.0 | 5.1 | 4.6 |
| Overall debt service ratio | | | | | | | |
| As a percentage of export of goods and services | 14.7 | 16.7 | 13.2 | 19.7 | 26.8 | 20.8(b) | 27.7 |
| Total external debt and liabilities (per cent of GDP) | 61.0 | 37.8 | 50.2 | 54.2 | 53.7 | 53.6(b) | 54.4 |
| EXCHANGE RATES | | | | | | | |
| Annual average Rs/USD | 75.78 | 113.06 | 110.57 | 127.60 | 129.11 | 130.56 | 135.94 |
| NEER (2010 = 100) (24 - currency basket) | - | 100.00 | 99.84 | 90.44 | 91.39 | 91.99 | 96.61 |
| REER (2010 = 100) (24 - currency basket) | - | 100.00 | 101.84 | 95.80 | 100.61 | 101.94 | 106.18 |
| Year-end Rs/USD | 80.06 | 110.95 | 113.90 | 127.16 | 130.75 | 131.05 | 144.06 |
| GOVERNMENT FINANCE (per cent of GDP) | | | | | | | |
| Revenue | 16.8 | 12.7 | 13.4 | 12.0 | 11.9 | 11.4 | 13.0 |
| Expenditure and net lending | 26.7 | 20.0 | 19.9 | 17.8 | 17.4 | 17.2 | 20.5 |
| Primary deficit (-) / surplus (+) | -3.8 | -1.5 | -1.3 | -0.9 | -0.8 | -1.5 | -2.9 |
| Overall deficit (-) / surplus (+) | -9.5 | -7.0 | -6.2 | -5.6 | -5.4 | -5.7 | -7.4 |
| MONETARY AGGREGATES (year-on-year percentage change) | | | | | | | |
| Reserve money | 4.7 | 18.8 | 21.9 | 10.2 | 0.9 | 18.3 | 16.5 |
| Domestic credit from the banking system to | | | | | | | |
| Government (net) | 56.8 | -2.1 | 32.9 | 25.4 | 24.5 | 10.3 | 22.5 |
| INTEREST RATES (per cent per annum at year end) | | | | | | | |
| Repurchase rate (overnight) | 17.00 | 7.25 | 7.00 | 7.50 | 6.50 | 6.50 | 6.00 |
| Reverse Repurchase rate (overnight) | 20.00 | 9.00 | 8.50 | 9.50 | 8.50 | 8.00 | 7.50 |
| Commercial banks' average weighted deposit rate | 9.89 | 6.23 | 7.24 | 10.10 | 9.37 | 6.20 | 6.20 |
| NSB 12 month fixed deposit rate | 15.00 | 8.50 | 8.50 | 12.50 | 9.50 | 6.50 | 7.25 |
| Commercial banks' average weighted lending rate | 19.30 | 14.80 | 13.44 | 15.98 | 15.18 | 11.91 | 11.00 |

(a) Revised

(b) Provisional

(c) CCPI: Colombo Consumer Price Index

(d) NCPI: National Consumer Price Index

1. Highlights of 2015

1.1. Borrowing Limit and Strategy for 2015

- The gross borrowing limit of the Government of Sri Lanka (GOSL) for 2015, approved by the Parliament under the Appropriation Act No. 41 of 2014 and subsequent Appropriation Act (Amendment) No. 01 of 2015, was Rs.1,780 billion, an increase of Rs.302 billion against the 2014 gross borrowing limit.
- Out of the 2015 gross borrowing limit, Rs.1,327 billion was expected to be raised from the domestic sources while the balance Rs.453 billion was expected to be raised from foreign sources.
- On net basis, total borrowing limit for 2015 was estimated at Rs.499 billion, with Rs.248 billion from domestic sources and the balance of Rs.251 billion from the foreign sources.

1.2. Actual Borrowing and Debt Level

- Actual gross borrowing was maintained within the approved annual borrowing limits for 2015.
- Total borrowing from domestic sources was decreased to 67.18 per cent against the planned 74.55 per cent.
- Total outstanding debt stock stood at Rs.8,503.2 billion as at end of 2015 recording an increase of Rs.1,112.4 billion (15.05 per cent) compared to the corresponding debt stock of Rs.7,390.9 billion as at the end of 2014.
- As a percentage of Gross Domestic Product (GDP), total outstanding debt stock increased to 76.0 per cent at end 2015 from 70.7 per cent at end 2014. Within the debt stock, domestic debt to GDP ratio increased to 44.3 per cent at end 2015 from 40.9 per cent at end 2014. The foreign debt to GDP ratio also increased to 31.7 per cent from 29.8 per cent, for the same period.
- The share of domestic debt in total debt stock was 58.32 per cent while that of foreign debt was 41.68 per cent at the end of 2015, compared with 57.88 per cent and 42.12 per cent, respectively, at the end of 2014.
- Average Time to Maturity (ATM) of the domestic debt was lengthened to approximately 6.28 years by converting short term debt into long term debt in 2015.

1.3. Interest Cost on Public Debt

- Total interest cost on public debt decreased by 14.90 per cent in 2015 to Rs.509.7 billion consisting of Rs.364.3 billion on domestic debt and Rs.115.4 billion on foreign debt.
- Interest cost, as a percentage of GDP, increased to 4.56 per cent in 2015 from that of 4.25 per cent in 2014. However, interest cost as a percentage of Government Revenue, improved during the year.

- Average cost of domestic borrowing through Treasury bills (T- bills) and Treasury bonds (T- bonds) recorded substantial decreases in 2015 to 6.46 per cent and 9.46 per cent, respectively, compared to 6.68 per cent and 10.17 per cent, respectively, in 2014.

1.4. Interest Rates and Yield

- Primary market yield rates for 91-day, 182-day and 364-day T-bills reduced by 71 bps, 99 bps and 129 bps, respectively, in 2015.
- Primary market yield rate for T-bonds ranged between 6.70 per cent on 2-year T-bonds to 11.73 per cent on 30-year T-bonds.
- The benchmark risk free yield curve was extended up to 30 years in 2015 with the issuance of 30 year T- bonds in 2015. The 30 year T-bond was auctioned in 2015 in line with strengthening secondary market activities for benchmark long term T-bonds, thereby creating sufficient space in managing annual borrowing requirement in coming years.
- Half-yearly T-bond Primary Auction Calendar was published in 2015.

1.5. Broadening the Investor Base

- Number of investors in government securities, as recorded in the Central Depository System (CDS) of LankaSecure increased by 3.16 per cent to 89,696 during 2015.
- As at 31 December 2015, the total investment by foreign investors and non-resident Sri Lankans in rupee denominated T-bills and T-bonds amounted to Rs.5.05 billion and Rs.298.73 billion, respectively, compared to Rs.55.50 billion and Rs.401.71 billion at end 2014. This drop in holdings resulted from a net outflow of Rs.148.64 billion (USD 1,093.40 million) in foreign investment during 2015.
- Total value of issuances of Sri Lanka Development Bonds (SLDBs) in 2015 amounted to USD 2,491.4 million against the maturing amount of USD 835.6 million.

1.6. Infrastructure Developments

- Automation of sending periodic customer statements in the electronic form through e-mail in place of printed statements for account holders who opted for such facility with a view to enhance the safety of investors in government securities. Accordingly, PDD sent 2,955 e-statements during 2015.
- With a view to develop the domestic debt market, measures have been taken to establish an electronic trading facility and a Central Counterparty arrangement for trading and net clearing and settlement of government securities transactions.
- As a measure to promote the secondary market for Sri Lanka Development Bonds measures have been taken to introduce multi-currency functionality into LankaSettle System to facilitate scrip less trading, electronic recording and transferring of legal ownership of such Bonds denominated in United States Dollars.

1.7. Market Development Activities

- Since, March 2015, raising of government funding requirement from the domestic market was entirely done through an auctions for allowing yield rates to be determined through market forces, thus deriving a more representative and liquid long term benchmark yield curve.

- Facilitated 4 public investor awareness programmes for investors at provincial level, participated in on-site promotion activities and 2 TV programmes during the year to educate general public on investments in government debt securities.
- The investor awareness programmes and investor meetings to inform the recent economic developments and prospects of the Sri Lankan economy continued in 2015.

1.8. Primary Dealer System

- The overall financial performance of PDs in terms of growth in capital funds, liquidity and profitability demonstrated an improvement at end 2015 compared to the corresponding position at end 2014.
- PDs reliance on repo borrowing to finance the portfolio of government securities continued in 2015, and total borrowing by PDs under repo agreements increased by 44.77 per cent to Rs.179.31 billion as at end 2015 from Rs.123.86 billion as at end 2014.
- Total capital funds of Standalone PDs increased significantly by 46.33 per cent to Rs.13.5 billion as at end 2015 from Rs.9.2 billion as at end 2014.
- Key prudential indicators such as Risk Weighted Capital Adequacy Ratio (RWCAR) and Leverage Times of Standalone PDs maintained well above the prescribed prudent levels in 2015.
- Profitability measured in terms of Return on Assets (ROA) of the PD industry decreased to 3.66 per cent while Return on Equity (ROE) of Standalone PDs increased to 46.09 per cent, in 2015 from 4.27 per cent and 44.07 per cent, respectively, in 2014.
- Secondary market transactions, dominated by repo transactions in government securities (76.64 per cent), increased to Rs.15,413.61 billion in 2015 from Rs.12,063.29 billion in 2014.
- Exposure to market risk in the government securities market reduced in 2015, due to decline in proportion of trading portfolio to total portfolio.
- The overnight negative mismatch of the maturity profile of assets and liabilities of the industry widened significantly to Rs.7,105.51 million in 2015 compared to Rs.23.32 million in 2014. As a result, liquidity risk profile of the industry deteriorated very significantly.

2. Public Debt Management in 2015

Overview

Amidst various domestic and global developments managing public debt in 2015 was challenging. The key developments include change in administrative apparatus of the government after the national elections, uncertainties prevailed during the inter-election period, tightening of international financial market conditions and slowdown in the foreign inflows to the country. Nevertheless, the focus of public debt management in 2015 was centered on successful implementation of prudential debt strategies to ensure that the government's financing needs are met at a cost efficient manner with a prudent degree of risk. Accordingly, the average interest cost of market borrowing requirement to meet budgetary needs was maintained at a low level and the Average Time to Maturity (ATM) of domestic public debt portfolio was successfully extended by lengthening the issuance ATM, while improving the share of short term debt to total.

Tapping the international market with the issuance of International Sovereign Bonds (ISBs) twice in June and November 2015 for amounts of USD 650 million and USD 1,500 million, respectively, enabled managing the domestic debt issuance programme with greater flexibility during the year. Further, the strategies to lengthen and activate the longer end of the yield curve up to 30 years with continued issuances of medium to long term T-bonds enabled converting part of

maturing short term government securities to spread out debt service payment across the medium term took prominence in 2015.

In addition, strategic issuance of SLDBs at times of conducive market conditions positively contributed to manage both cost and risk objectives of public debt management. As a result, considerable saving on the borrowing cost was achieved in 2015 compared against the interest cost in 2014. The reduction in debt service payments together with the extension of the maturity profile of the public debt portfolio propelled considerable improvements in the country's public debt profile.

Despite these improvements, ratio of foreign currency debt to total debt deviated notably from the Medium Term Debt Management Strategy (MTDS) targets for 2015. Further, the foreign holdings declined considerably, partly owing to expectation of increasing US interest rates, due to weakening of domestic currency and profit taking by some investors.

2.1. Targets and Strategies for Government Borrowings

The gross borrowing limit of the government for 2015 approved by the Parliament under the Appropriation Act No. 41 of 2014 and subsequent Appropriation (Amendment) Act No. 01 of 2015, was Rs.1,780.0 billion, including Rs.131.0 billion for risk, book/cash value and contingent

TABLE 1
GOVERNMENT BORROWINGS IN 2015 ^(a)

| | Original Plan ^(b) | | Actual ^(c) | |
|---|------------------------------|---------------|-----------------------|---------------|
| | Rs. billion | % | Rs. billion | % |
| Net Borrowing | | | | |
| Domestic | 208.0 | 41.7 | 592.7 | 71.5 |
| Foreign | 291.4 | 58.3 | 236.8 | 28.5 |
| Total | 499.4 | 100.0 | 829.5 | 100.0 |
| Gross Borrowing by Instrument | | | | |
| Domestic | 1327.0 | 74.55 | 1139.0 | 67.18 |
| T-bonds ^(d) | 1166.9 | 65.56 | 870.9 | 51.37 |
| T-bills ^(d) | 15.0 | 0.84 | -73.7 | (4.34) |
| SLDBs | 130.0 | 7.30 | 334.5 | 19.73 |
| CBSL advances | 15.1 | 0.85 | 7.2 | 0.43 |
| Domestic banks and other sources | 0.0 | - | 0.0 | - |
| Foreign | 453.0 | 25.45 | 556.4 | 32.82 |
| Project/Programme Loans ^{(e)(f)} | 258.0 | 14.49 | 257.9 | 15.21 |
| Commercial Loan | 195.0 | 10.96 | 298.5 | 17.61 |
| International Bond | 195.0 | 10.96 | 298.5 | 17.61 |
| Total | 1780.0 | 100.00 | 1695.3 | 100.00 |

(a) Book Value.

(b) Net borrowings as per Budget 2014.

(c) Provisional.

(d) Includes Treasury bonds and Treasury bills(net) issued to non-residents

(e) Includes foreign receipts of Rs.37,349.7 million received in 2014 which has been postponed to 2015 since there were no approved allocations in 2014.

(f) Excludes receipts of projects under State Owned Business Enterprises.

(g) Includes International Sovereign bonds and non-project loans.

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

provisions. The gross borrowing was proposed to raise Rs. 1,327.0 billion from domestic sources and the balance of Rs. 453.0 billion from the foreign sources. The total net financing requirement for 2015 was estimated at Rs. 521.0 billion and Rs. 230.0 billion was expected to finance from domestic sources, whereas the remaining was expected to finance from foreign sources.

In line with the MTDS for 2015-2019, the borrowing plan and related strategies for 2015 were aimed at further strengthening the public debt dynamics over the medium term. Accordingly, key objectives of the borrowing strategy for 2015 envisaged to mobilise funds at

the lowest possible cost, enhancing the ATM of the debt portfolio, further reducing the share of short-term domestic debt to total domestic debt, reducing the share of foreign currency debt to total debt, broadening and diversification of investor base and sustaining and activating the benchmark yield-curve by issuing long-term government securities.

Accordingly, the borrowing programme for 2015 envisaged to raise about 74.55 per cent of the gross borrowing requirement from the domestic market compared to 70.56 per cent in 2014. The planned domestic borrowing was expected to raise through issuing long term instruments consist of 65.56 per cent and 7.30 per

cent of T-bonds and SLDBs, while confining short term domestic borrowings to 1.69 per cent of the gross borrowing requirement.

The total financing from foreign sources in the gross borrowing programme for 2015 decreased to Rs. 453.0 billion (25.45 per cent), including Rs. 258.0 billion (14.49 per cent) of project related loans, compared to Rs. 474.5 billion (32.10 per cent) of foreign source borrowings in 2014. Commercial loans represents non concessional borrowing from International Sovereign Bonds (ISBs) and was expected to raise Rs. 195.0 billion (10.96 per cent of the gross borrowing) in 2015.

The actual gross borrowing in 2015 was maintained within the approved borrowing limit, yet the composition of actual borrowings deviated from the originally expected plan based on the market conditions. Accordingly, total gross borrowing from domestic sources was decreased to 67.18 per cent against the planned 74.55 per cent while actual gross borrowing from foreign sources increased to 32.82 per cent against the planned 25.45 per cent. These deviations were mainly propelled by successful issuance of two ISBs in 2015. The primary market Weighted Average Yield Rates (WAYR) of T-bills decreased for all maturities at the end 2015 over

TABLE 2
PRIMARY MARKET WEIGHTED AVERAGE YIELD RATES OF TREASURY BILLS AND TREASURY BONDS

| Instrument | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---------------------------|--------------|-------------|-------------|--------------|--------------|--------------|-------------|
| Treasury bills (Days) | | | | | | | |
| 91 | 11.43 | 7.86 | 7.28 | 10.72 | 8.95 | 6.58 | 6.32 |
| 182 | 12.18 | 8.42 | 7.21 | 12.29 | 9.91 | 6.57 | 6.50 |
| 364 | 12.76 | 8.43 | 7.41 | 12.14 | 10.65 | 6.73 | 6.60 |
| Overall Average | 12.25 | 8.32 | 7.31 | 11.81 | 10.45 | 6.68 | 6.46 |
| Treasury bonds (Years) | | | | | | | |
| 2 | 16.32 | 9.46 | 7.77 | 11.30 | - | - | 7.98 |
| 3 | 17.01 | 9.01 | 7.99 | 11.11 | 10.95 | - | 8.32 |
| 4 | 14.29 | 9.65 | 8.23 | 11.58 | - | - | 8.68 |
| 5 | 11.20 | 9.31 | 8.55 | 13.32 | 10.95 | 8.78 | 8.63 |
| 6 | 12.09 | 9.43 | 8.70 | 11.84 | 10.97 | - | 9.19 |
| 7 | - | 9.19 | 8.84 | 12.50 | - | - | 8.99 |
| 8 | - | 9.15 | 8.91 | 14.40 | 11.51 | 9.03 | 9.55 |
| 9 | - | - | 9.00 | - | 11.77 | 9.23 | - |
| 10 | 13.39 | 9.59 | 9.15 | 14.00 | 11.80 | 10.00 | 9.78 |
| 12 | - | - | 9.10 | - | 12.09 | - | - |
| 15 | - | - | 9.30 | - | 12.17 | 10.34 | 10.24 |
| 20 | - | - | - | 11.00 | 12.19 | 11.32 | 11.20 |
| 30 | - | - | - | - | 12.50 | 11.75 | 11.73 |
| Overall Average | 14.69 | 9.45 | 8.64 | 12.46 | 11.72 | 10.17 | 9.46 |

Source: Central Bank of Sri Lanka

(a) Net of 10% withholding tax. Effective from May 3, 2002, Government has imposed withholding tax on interest of Government Securities.

the WAYR of T-bills prevailed in 2014. The WAYR of 91 days, 182 days and 364 day T-bills decreased by 26 bps, 7bps and 13bps, respectively. The primary market overall WAYR also continued to decline in 2015 by 71 bps to 9.46 per cent at end 2015 compared to 10.17 per cent in 2014. The decline in government securities yield rates could be attributed to prudent management strategies implemented in 2015.

TABLE 3
INCREASE IN OUTSTANDING GOVERNMENT DEBT

| Description | Rs. billion | | |
|---------------------------|--------------|----------------|---------------------|
| | 2013 | 2014 | 2015 ^(a) |
| Net Borrowing | 601.2 | 591.2 | 829.5 |
| Effect of Parity Variance | -19.0 | -89.3 | 285.1 |
| Discount Effect | 159.7 | -98.6 | -54.4 |
| Other | 51.3 | 987.4 | 649.8 |
| Total Increase | 793.1 | 1,390.8 | 1,710.0 |

(a) Provisional Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

In the Sovereign Rating front, Sri Lanka was able to maintain its sovereign rating unchanged in 2015. Three credit rating agencies, namely Standard & Poor's (S&P),

Fitch Ratings (Fitch) and Moody's Investor Services (Moody's) rated Sri Lanka in 2015, with rating credentials, considering the strong policy measures taken by the government and CBSL to ensure price and economic stability and the financial system stability, improving macroeconomic indicators, improving external liquidity position, unblemished track record in debt servicing, and reinforced perception of functioning democracy with relatively strong institutions following the smooth political transitions.

On August 6, 2015, S&P Ratings Services affirmed its 'B+' long-term and 'B' short-term sovereign credit ratings for Democratic Socialist Republic of Sri Lanka with a stable outlook. Fitch affirmed Sri Lanka's Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at 'BB-' with the Stable rating outlook. The agency also affirmed the Country Ceiling at 'BB-' and the Short-Term Foreign-Currency IDR at 'B', while Moody's reaffirmed Sri Lanka's B1 sovereign bond rating with the Stable outlook.

TABLE 4
KEY DEBT INDICATORS – END 2015

| Description | 2013 | 2014 | 2015 ^(a) |
|--|------|------|---------------------|
| Debt/GDP ratio (%) ^(b) | 70.8 | 71.8 | 76.0 |
| Government Budget Deficit/GDP (%) ^(b) | -5.4 | -5.7 | -7.4 |
| Interest Cost/GDP ratio (%) ^(b) | 4.8 | 4.2 | 4.6 |
| Interest Cost/Government Revenue ratio (%) | 40.7 | 30.9 | 33.9 |
| ATM of Domestic Debt (Years) | 4.8 | 5.7 | 6.3 |
| ATM of Total Debt (Years) | 6.5 | 6.6 | 6.7 |
| Share of Foreign currency debt to Total Debt (%) | 42.4 | 41.6 | 46.3 |

(a) Provisional.

(b) Revised/ Base year for GDP = 2010

Sources: Central Bank of Sri Lanka

Ministry of Finance and Planning

TABLE 5
OUTSTANDING GOVERNMENT DEBT (AS AT END OF YEAR)

| | 2013 | 2014 | 2015 ^(a) |
|---|----------------|----------------|---------------------|
| Outstanding Debt (Rs. billion) - By Source | | | |
| Domestic | 3,832.8 | 4,277.8 | 4,959.2 |
| Foreign ^(b) | 2,960.4 | 3,113.1 | 3,544.0 |
| Total | 6,793.2 | 7,390.9 | 8,503.2 |
| Outstanding Debt (Rs. billion) - By Currency | | | |
| Domestic | 3,915.2 | 4,318.7 | 4,566.8 |
| Foreign ^(b) | 2,878.0 | 3,072.2 | 3,936.4 |
| Total | 6,793.2 | 7,390.9 | 8,503.2 |
| Outstanding Debt (% of GDP) - By Source ^(c) | | | |
| Domestic | 39.96 | 40.94 | 44.34 |
| Foreign ^(b) | 30.86 | 29.79 | 31.69 |
| Total | 70.82 | 70.74 | 76.04 |
| Outstanding Debt (% of GDP) - By Currency ^(c) | | | |
| Domestic | 40.82 | 41.33 | 40.84 |
| Foreign ^(b) | 30.00 | 29.40 | 35.20 |
| Total | 70.82 | 70.74 | 76.04 |

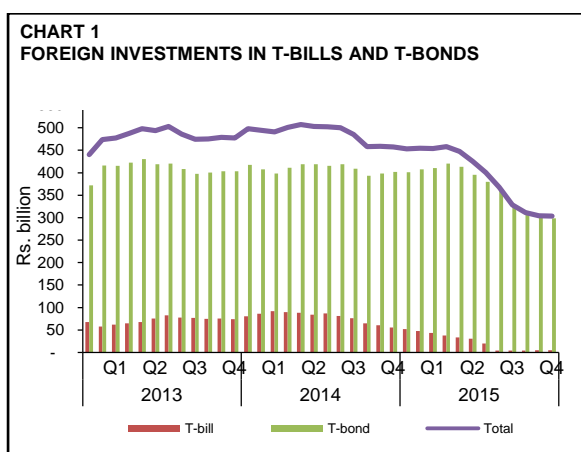
(a) Provisional

(b) Excludes outstanding loans of Projects under State Owned Business Enterprises

(c) Revised

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

Foreign investor preference for medium to long-term T-bonds significantly declined in 2015. The total investments by foreigners in T-bills and T-bonds amounted to Rs. 303.8 billion at end 2015. The funds raised through concessional foreign borrowings and project/ programme loans were maintained within the overall borrowing programme of the government.



2.2. Debt Level

The total government debt as at end 2015 stood at Rs. 8,503.2 billion. This was an increase of Rs. 1,112.3 billion (15.05 per cent) over the previous year end position of Rs. 7,390.9 billion. Of this increase, Rs. 829.5 billion was due to the increase in net borrowings, while Rs. 285.1 billion was due to the effect of unfavorable exchange rate. The discount effect of issuance of discounted T-bonds and T-bills was Rs. 54.4 billion.

Notable deviations from MTDS targets reflect the challenges faced by the government during the year 2015. The Debt to GDP ratio, a key debt sustainability indicator, increased to 76.04 per cent in 2015 from 70.74 per cent at end 2014 (Base Year = 2010). Except for ATM, all other key debt indicators, which are

TABLE 6
CHANGE OF DEBT IN RUPEE TERMS DUE TO MOVEMENT IN EXCHANGE RATES

| Currency | Rs. billion | | |
|--|--------------|--------------|--------------|
| | 2013 | 2014 | 2015 |
| Special Drawing Rights | 8.2 | -32.1 | 54.7 |
| Japanese Yen | -87.1 | -55.7 | 40.5 |
| US Dollar | 39.6 | 289.9 | 441.7 |
| Euro | 11.2 | -22.9 | 18.3 |
| Other | 9.1 | -26.5 | -124.4 |
| Total | -19.0 | 152.7 | 430.9 |
| Memo: End Year Exchange Rates (Sri Lanka Rupees per Unit of Foreign Currency) | | | |
| Special Drawing Rights | 201.36 | 189.86 | 199.63 |
| Japanese Yen | 1.25 | 1.10 | 1.20 |
| US Dollar | 130.75 | 131.05 | 144.06 |
| Euro | 180.45 | 159.42 | 157.37 |

(a) Provisional.

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

given in Table 4, weakened in 2015 over the figures in 2014.

The domestic debt (by source) increased by Rs. 681.4 billion (15.93 per cent) to Rs. 4,959.2 billion at end 2015 from Rs. 4,277.8 billion at end 2014. The foreign debt (by source) increased by Rs. 430.9 billion (13.84 per cent) to Rs. 3,544.0 billion at end 2015 from Rs. 3,113.1 billion at end 2014. The domestic currency debt stock increased by Rs. 248.1 billion (5.74 per cent) to Rs. 4,566.8 billion at end 2015, compared to Rs. 4,318.7 billion at end 2014. The rupee value of foreign currency denominated government debt stock increased by Rs. 864.2 billion (28.13 per cent) to Rs. 3,936.4 billion at end 2015 compared to Rs. 3,072.2 billion at end 2014. This increase was mainly due to new issuance of SLDBs valued to Rs. 334.5 billion in 2015 compared to Rs. 95.5 billion in 2014.

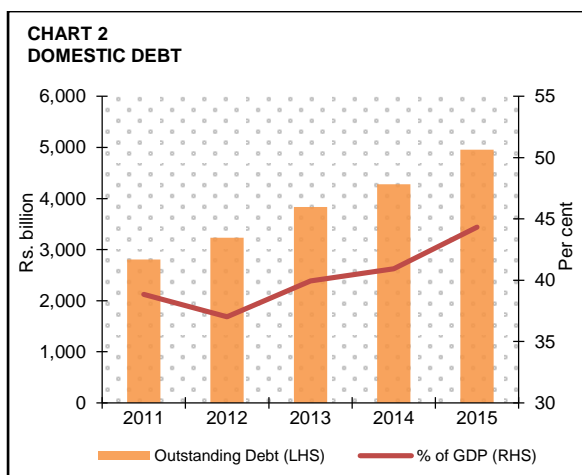
With the increase of total domestic debt stock of the government to Rs. 4,959.2 billion in 2015, the share of total domestic debt in total

government debt increased to 58.32 per cent compared to 57.88 per cent in 2014. The total domestic debt as a percentage of GDP increased to 44.34 per cent at end 2015 from 40.94 per cent at end 2014. The total foreign debt as a percentage of GDP increased to 31.69 per cent at end 2015 from 29.79 per cent reported at end 2014.

2.3. The Structure of the Public Debt Portfolio

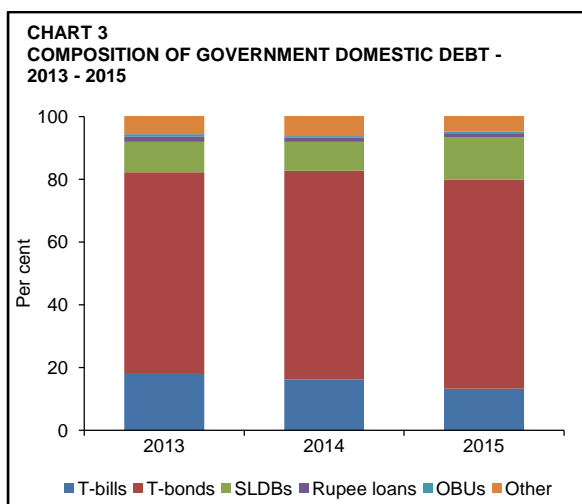
2.3.1. Domestic Debt

In line with the debt strategy for 2015, CBSL took action to mobilize funds only through medium to long term tradable government securities. As a result, there was no new Rupee Loans issued in 2015. Rupee Loans amounting to Rs. 31.4 billion were matured during the year 2015, and the stock of Rupee Loans declined to Rs. 24.1 billion (0.49 per cent of the total domestic debt stock) by end 2015.



2.3.2. Composition of Domestic Debt

The total non-tradable debt consisting of Rupee Loans, borrowings from Offshore Banking Units (OBUs), CBSL advances and borrowing from two state banks, as a percentage of total domestic debt, decreased to 6.27 per cent at end 2015 compared to 7.80 per cent observed at end 2014. The drop was mainly due to the redemption of Rupee Loans during 2015.



The share of total tradable government securities in the total domestic debt stock stood at 93.73 per cent at end 2015 compared to 92.20 per cent at end 2014. The foreign currency

denominated domestic debt stock as a percentage of total domestic debt stock increased to 13.91 per cent at end 2015 from 9.60 per cent at end 2014.

2.3.3. Domestic Debt by Investor Base

Non-bank sector consisting of Employees Provident Fund (EPF) and National Savings Bank (NSB), Insurance companies, and other official funds, continued to be the major holders of domestic debt of the government and held Rs. 3,035.2 billion (61.20 per cent) of the total domestic debt at end 2015 compared to Rs. 2,607.9 billion (60.96 per cent) at end 2014. The face value of domestic debt held by LCBs increased by Rs. 265.8 billion in 2015.

2.3.4. Banking Sector and Non-bank Sector

Banking sector (consisting of LCBs and CBSL) investments in domestic debt instruments of the government increased by Rs. 254.2 billion (15.22 per cent) to Rs. 1,924.0 billion at end 2015 compared to Rs. 1,669.9 billion held at end 2014, mainly attributed to the increase in investments by LCBs in government securities by Rs. 265.8 billion. However, T-bills held by CBSL marginally decreased by Rs. 18.7 billion at end 2015 from Rs. 123.5 billion at end 2014. The amount of domestic debt held by LCBs increased to Rs. 1,668.0 billion (33.63 per cent) from that of Rs. 1,402.2 billion (32.78 per cent) for the same period. LCB's holding of T-bills increased by Rs. 62.4 billion to Rs. 340.7 billion and T-bonds marginally decreased by Rs. 77.5 billion to Rs. 517.6 billion, in 2015.

TABLE 7

DURATION AND AVERAGE TIME TO MATURITY (ATM) OF DOMESTIC CURRENCY DEBT (AS AT END OF YEAR)

| Instrument | Duration ^(a) (Years) | | | Average Time to Maturity (Years) | | |
|----------------|---------------------------------|-------------|-------------|----------------------------------|-------------|-------------|
| | 2013 | 2014 | 2015 | 2013 | 2014 | 2015 |
| T-bills | 0.45 | 0.41 | 0.28 | 0.45 | 0.41 | 0.29 |
| T-bonds | 3.61 | 4.54 | 4.29 | 5.97 | 6.98 | 7.36 |
| Rupee loans | 3.10 | 2.42 | 4.73 | 4.67 | 3.67 | 7.09 |
| Overall | 2.94 | 3.82 | 3.68 | 4.82 | 5.75 | 6.29 |

(a) Weighted average maturity of the cash flows.

Sources: Central Bank of Sri Lanka

The holdings of SLDBs by LCBs significantly increased by Rs. 277.4 billion (70.92 per cent) to Rs. 668.5 billion at end 2015 from Rs. 391.1 billion held at end 2014.

2.3.5. Maturity Structure of the Domestic Debt

The structure of domestic debt portfolio shifted to long and medium term debt from short-term debt consequent to the instrument and issuance strategies implemented by CBSL in 2015.

Accordingly, CBSL was able to reduce short term debt as a percentage of domestic debt to 18.42 per cent at end 2015 compared to 21.94 per cent at end 2014. This was the result of the strategy of issuing medium to long term T-bonds and SLDBs to meet the borrowing requirement in 2015. The ATM of T-bonds increased to 7.36 years at end 2015 compared to 6.98 years at end 2014. Further, due to relatively low issue of T-bills in 2015, ATM of T-bills decreased to 0.29 years in 2015 from that of 0.41 years in 2014. The ATM of Rupee Loans increased to 7.09 years compared to 3.67 years at end 2014, due to the maturity of Rupee Loans amounting to Rs.

31.4 billion during the year 2015. With the substantial increase in ATM of T-bonds and Rupee Loans, ATM of domestic currency debt portfolio increased significantly to 6.29 years at end 2015 compared to 5.75 years at end 2014 enabling to reduce the refinance and rollover risk of the domestic debt portfolio.

2.3.6. Foreign Debt

The rupee value of the foreign debt and the foreign debt to GDP ratio stock increased during the year 2015. The rupee value of total foreign debt stock amounted to Rs. 3,544.0 billion at end 2015, with an increase of Rs. 430.9 billion (13.84 per cent) compared to the Rs. 3,113.1 billion at end 2014. In line with the increase in the volume of foreign debt stock, total outstanding foreign debt stock as a percentage of GDP increased to 31.69 per cent at end 2015 from 29.79 per cent in 2014.

The increase was mainly due to lower growth rate of nominal GDP, unfavorable parity adjustment owing mainly to the depreciation of the rupee against major currencies as US Dollars, SDR, Japanese yen, Euro.

TABLE 8.1

COMPOSITION OF FOREIGN DEBT

| Category | 2014 | | 2015 ^(a) | |
|---|---|---------------|---|--------------|
| | Total Equivalent Amount in Rupees billion | % | Total Equivalent Amount in Rupees billion | % |
| Concessional | 1,491.0 | 47.89 | 1,729.9 | 48.81 |
| Bilateral | 519.4 | 16.69 | 581.9 | 16.42 |
| Multilateral | 704.0 | 22.62 | 794.5 | 22.42 |
| Other | 267.5 | 8.59 | 353.5 | 9.98 |
| Commercial | 1,622.1 | 52.11 | 1,814.1 | 51.19 |
| Sovereign Bonds | 655.2 | 21.05 | 958.0 | 27.03 |
| Bilateral | 273.8 | 8.79 | 307.1 | 8.67 |
| Multilateral | 183.9 | 5.91 | 199.9 | 5.64 |
| Foreign Holdings in T-bills and T-bonds | 457.2 | 14.69 | 303.8 | 8.57 |
| Other | 52.0 | 1.67 | 45.3 | 1.28 |
| Total | 3,113.1 | 100.00 | 3,544.0 | 100.0 |

(a) Provisional

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

TABLE 8.2

COMPOSITION OF FOREIGN DEBT

| Category | 2014 | | 2015 ^(a) | |
|---|---|--------------|---|--------------|
| | Total Equivalent Amount in Rupees billion | % | Total Equivalent Amount in Rupees billion | % |
| Bilateral | 793.2 | 27.81 | 889.0 | 25.08 |
| Multilateral | 888.0 | 30.52 | 994.4 | 28.06 |
| Sovereign Bonds | 655.2 | 15.46 | 958.0 | 27.03 |
| Foreign Holdings in T-bills and T-bonds | 457.2 | 16.13 | 303.8 | 8.57 |
| Other | 319.5 | 10.09 | 398.8 | 11.25 |
| Total | 3,113.1 | 100.0 | 3,544.0 | 100.0 |

(a) Provisional

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning**2.3.7. Composition of Foreign Debt**

Total rupee equivalent of outstanding foreign debt in terms of concessional and commercial sources stood at Rs 1,729.9 billion (48.81 per cent of the total outstanding foreign debt) and Rs. 1,307.1 billion (36.88 per cent), respectively, at end 2015. The concessional and commercial sources stood at Rs. 1,491.0 billion

(47.89 per cent) and Rs. 1,164.5 billion (37.41 per cent), respectively, at end 2014. Total amounted to Rs. 1,904.6 billion in 2014, increased to Rs. 2,180.4 billion in 2015. The relative share of non-concessional loans in the total foreign debt stock increased to Rs. 507.0 billion in 2015 from Rs. 457.7 billion in 2014.

TABLE 9

MATURITY, GRANT ELEMENT & INTEREST RATES OF EXTERNAL DEBT 2015

| Category | Grace Period (Yrs) | Repayment Period (Yrs) | Grant Element (%) | Avg. Interest Rates ^(a) (% p.a.) |
|----------------|--------------------|------------------------|-------------------|---|
| Bilateral | 0 - 21 | 0 - 40 | 0 - 100 | 2.23 |
| Multilateral | 0 - 18 | 0 - 50 | 0 - 100 | 0.84 |
| Commercial | 0 - 14 | 0 - 30 | (13) - 61 | 6.33 |
| Export Credit | 0 - 13 | 0 - 21 | (12) - 100 | 3.32 |
| Average | | | | 2.91 |

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Interest paid in 2014/ Disbursed outstanding debt as at end 2013.

2.1.1. Currency Composition of Foreign Debt

The total foreign debt at end 2015 comprised 96.59 per cent in 5 major currencies viz, USD, SDR, Japanese Yen, Sri Lankan rupee and Euro. In 2015, the share of SDR, Japanese Yen, and Euro denominated foreign debt declined while USD denominated foreign debt increased. The external debt denominated in Sri Lankan rupee decreased to 8.57 per cent at end 2015 from 14.69 per cent in 2014 due to decrease in foreign holdings of T-bills and T-bonds.

2.1.2. Usage of Foreign Debt

The debt raised through external sources was used for the development of economic, social and administrative services in the country, while substantial investment has been made for enhancing the capacity and productivity of the economy. Out of the total outstanding external debt, 50.53 per cent and 27.49 per cent had been utilized for the development of economic services and industrial & construction, respectively in 2015.

TABLE 10

CURRENCY COMPOSITION OF FOREIGN DEBT (AS AT END OF YEAR)

| Currency | 2013 | 2014 | Per cent 2015 ^(a) |
|---|----------------|----------------|------------------------------|
| US Dollar | 33.85 | 41.50 | 48.92 |
| Special Drawing Rights | 24.05 | 21.84 | 20.73 |
| Japanese Yen | 16.39 | 13.80 | 13.26 |
| Sri Lanka Rupee ^(b) | 16.13 | 14.69 | 8.57 |
| Euro | 6.27 | 5.23 | 5.11 |
| Other | 3.31 | 2.94 | 3.41 |
| Total | 100.00 | 100.00 | 100.00 |
| Memo: Total External Debt (Rs.billion) | 2,960.4 | 3,113.1 | 3,544.0 |

(a) Provisional.

(b) Non-residents' investments in T-bills and T-bonds.

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

For the development of social services and import of commodities, 10.31 per cent and 2.02 per cent had been utilized, respectively. A share of 22.09 per cent of total external debt was used for the development of transportation system of the country including roads and bridges (13.86 percent) and ground transport (8.23 per cent), while 2.67 per cent of the total external debt was utilized for the port and air transportation.

TABLE 11

USE OF EXTERNAL DEBT BY MAJOR SECTORS ^(a)

| Economic Sector ^(b) | Rs. billion | | | |
|---|----------------|-------|---------------------|-------|
| | 2013 | | 2014 ^(c) | |
| | Amount | % | Amount | % |
| 1. Economic Services | 1,576.9 | 50.65 | 1,790.8 | 50.53 |
| 1.1 Agricultural Development | 166.7 | 5.35 | 181.2 | 5.11 |
| Agriculture | 44.4 | 1.43 | 43.8 | 1.23 |
| Fishing | 9.2 | 0.30 | 9.1 | 0.26 |
| Forestry | 6.3 | 0.20 | 6.2 | 0.18 |
| Plantation | 32.6 | 1.05 | 32.3 | 0.91 |
| Irrigation & Related Activities | 67.8 | 2.18 | 77.0 | 2.17 |
| Livestock Development | 6.4 | 0.20 | 12.8 | 0.36 |
| 1.2 Industrial/Construction | 806.5 | 25.91 | 974.1 | 27.49 |
| Energy | 236.2 | 7.59 | 260.9 | 7.36 |
| Water Supply | 162.2 | 5.21 | 190.8 | 5.38 |
| Industrial Development | 29.2 | 0.94 | 28.9 | 0.81 |
| Roads and Bridges | 376.7 | 12.10 | 491.4 | 13.86 |
| Other Construction | 2.2 | 0.07 | 2.2 | 0.06 |
| 1.3 Service Sector | 455.3 | 14.63 | 485.2 | 13.69 |
| Telecommunications | 25.8 | 0.83 | 24.7 | 0.70 |
| Ports & Shipping | 79.7 | 2.56 | 77.6 | 2.19 |
| Ground Transport | 257.7 | 8.28 | 291.7 | 8.23 |
| Air Transport | 15.6 | 0.50 | 16.9 | 0.48 |
| Finance, Insurance, etc. | 74.8 | 2.40 | 72.9 | 2.06 |
| Trade | 1.7 | 0.06 | 1.5 | 0.04 |
| 1.4 Other Economic Services | 148.4 | 4.77 | 150.2 | 4.24 |
| Land Development | 0.6 | 0.02 | 0.6 | 0.02 |
| Management & Institutional Development | 15.7 | 0.50 | 16.2 | 0.46 |
| Information Technology Development | 9.7 | 0.31 | 10.0 | 0.28 |
| Private Sector Development | 58.2 | 1.87 | 57.9 | 1.63 |
| Rural Development | 62.0 | 1.99 | 63.3 | 1.79 |

| | | | | |
|----------------------------------|----------------|---------------|----------------|---------------|
| Science & Technology | 2.2 | 0.07 | 2.3 | 0.06 |
| 2. Social Services | 322.1 | 10.35 | 365.2 | 10.31 |
| Education & Training | 77.3 | 2.48 | 88.1 | 2.49 |
| Health & Social Welfare | 39.1 | 1.25 | 51.4 | 1.45 |
| Environment | 31.7 | 1.02 | 35.4 | 1.00 |
| Housing & Urban Development | 38.9 | 1.25 | 44.1 | 1.25 |
| Labour & Vocational Training | 8.8 | 0.28 | 15.2 | 0.43 |
| Media | 0.1 | 0.00 | 0.1 | 0.00 |
| Rehabilitation | 73.0 | 2.35 | 78.6 | 2.22 |
| Sewerage | 3.3 | 0.11 | 3.3 | 0.09 |
| Tsunami Rehabilitation | 50.0 | 1.61 | 49.1 | 1.39 |
| 3. Commodities & Food | 70.0 | 2.25 | 71.5 | 2.02 |
| Commodities | 48.5 | 1.56 | 50.3 | 1.42 |
| Food | 21.5 | 0.69 | 21.1 | 0.60 |
| 4. Other Activities | 1,144.1 | 36.75 | 1,316.6 | 37.15 |
| Total Outstanding Debt | 3,113.1 | 100.00 | 3,544.0 | 100.00 |

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Based on Outstanding External Debt data recorded in CS-DRMS as at end December 2015. Sovereign bond issues in 2009,2010, 2011,2012 and 2014 and T-bills and T-bonds held by non-residents are recorded under other activities.

(b) Excludes outstanding loans of Projects under State Owned Business Enterprises

(c) Provisional.

3. Servicing Public Debt in 2015

3.1 Debt Service Payments

The CBSL maintained its unblemished perfect record of servicing public debt obligations in 2015 in terms of payment of principal, interest and other contractual obligations. Timely and accurate debt service payment remains a crucial part of managing the public debt portfolio. In 2015, the PDD further streamlined the process of debt service payments by restructuring payment contracts with paying agents and introducing improved infrastructure systems in Back Office operations.

The total debt service payments in 2015 amounted to Rs. 1,317.8 billion, a notable increase of 22.44 per cent compared against the total debt service payments of Rs. 1,076.3 billion in 2014. Out of Rs. 1,317.8 billion total debt service payments, amortization payments amounted to Rs. 808.1 billion (61.32 per cent) while the interest payments amounted to Rs. 509.7 billion (38.68 per cent). In 2015, Rs. 918.1 billion (69.67 per cent) was paid on account of domestically-raised debt while the remaining Rs. 399.7 billion (30.33 per cent) was paid to foreign funding sources on account of externally-raised debt. Total debt

TABLE 12
DEBT SERVICE PAYMENTS

| Category | Rs. billion | |
|-----------------------------------|----------------|---------------------|
| | 2014 | 2015 ^(a) |
| Domestic | 777.5 | 918.1 |
| Principal Payments ^(b) | 449.6 | 523.8 |
| Interest Payments ^(c) | 327.9 | 394.3 |
| Foreign (d) | 298.8 | 399.7 |
| Principal Payments ^(e) | 183.1 | 284.3 |
| Interest Payments ^(f) | 115.7 | 115.4 |
| Total Payments | 1,076.3 | 1,317.8 |

Sources: Central Bank of Sri Lanka

(a) Provisional.

(b) Excludes T-bond payments to non-residents

(c) Excludes T-bill & T-bond interest payments to non-residents

(d) Excludes debt service payments on SOEs

(e) Includes T-bond payments to non-residents

(f) Includes T-bill & T-bond interest payments to non-residents

service payments as a percentage of total government revenue slightly increased to 90.58 per cent in 2015 compared to 90.05 per cent in 2014. Further, total debt service payments as a percentage of GDP recorded to 11.78 per cent in 2015 compared to 10.30 per cent in 2014.

3.2 Amortization of Debt

The total amortization payments made in 2015 increased by 27.72 per cent to Rs. 808.1 billion compared to Rs. 632.7 billion in 2014. The total amortization payment as a per cent of total revenue of the government increased in 2015 to 55.54 per cent from 52.94 per cent recorded in 2014.

Of the total amortization payments in 2015, Rs.523.8 billion (64.82 per cent) represented payments made for domestic debt and the balance Rs. 284.3 billion (35.18 per cent) represented payment of foreign debt. Total amortization cost as a percentage of GDP, increased to 7.23 per cent in 2015 against 6.06 per cent in 2014.

3.2.1 Amortization of Domestic Debt

Amortization of domestic debt amounted to Rs. 523.8 billion in 2015 and recorded an increase of 16.5 per cent (Rs. 74.2 billion) compared to Rs. 449.6 billion in 2014.

TABLE 13

AMORTIZATION OF LOANS

| Source/ Instrument | Rs. billion | | |
|------------------------------------|--------------|--------------|---------------------|
| | 2013 | 2014 | 2015 ^(a) |
| Domestic Debt | 496.0 | 449.6 | 523.8 |
| T-bonds ^(b) | 395.1 | 374.2 | 379.4 |
| Rupee Loans | 2.9 | - | 31.4 |
| OBU Loans | 0.4 | 0.8 | 1.4 |
| SLDBs | 97.7 | 74.5 | 111.6 |
| Other Domestic | - | - | - |
| Foreign Debt ^(c) | 204.0 | 183.1 | 284.3 |
| T-bonds held by Foreigners | 92.6 | 65.5 | 91.9 |
| Sovereign Bond | - | - | 65.8 |
| Other | 111.4 | 117.6 | 126.6 |
| Total Amortization Payments | 700.0 | 632.7 | 808.1 |

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Provisional.

(b) Excludes T-bill interest payments to non-residents.

(c) Excludes T-bond interest payments to non-residents and Excludes debt service payments on SOEs.

TABLE 14
INTEREST COST ON PUBLIC DEBT

| | Rs. billion | | |
|------------------------------------|--------------|--------------|---------------------|
| Source/ Instrument | 2013 | 2014 | 2015 ^(a) |
| Domestic Debt | 354.7 | 327.9 | 394.3 |
| T- bills ^(b) | 69.7 | 78.8 | 57.7 |
| T-bonds ^(c) | 254.1 | 207.7 | 295.8 |
| Rupee Loans | 6.1 | 5.9 | 4.6 |
| OBU Loans | 1.3 | 1.4 | 1.5 |
| SLDBs | 10.8 | 18.8 | 23.4 |
| Other Domestic ^(d) | 12.7 | 15.3 | 11.2 |
| Foreign Debt ^(e) | 108.2 | 115.7 | 115.4 |
| Total Interest Cost | 462.9 | 443.6 | 509.7 |

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Provisional.

(b) Excludes T-bill interest payments to non-residents.

(c) Excludes T-bond interest payments to non-residents.

(d) Includes interest on overdraft facility taken from Commercial Banks, administrative borrowings etc.

(e) Includes T-bill and T-bond interest payments to non-residents and Excludes debt service payments on SOEs.

The increase in amortization payment was a result of comparatively higher maturing debt stock in rupee denominated domestic debt as well as the foreign currency denominated domestic debt repayments. In 2015, amortization payment of T-bonds increased by Rs. 5.2 billion (1.39 per cent) to Rs. 379.4 billion and SLDBs increased by Rs. 37.1 billion (49.80 per cent) to Rs. 111.6 billion.

3.2.2 Amortization of Foreign Debt

The rupee value of total amortization payment on account of foreign debt amounted to Rs. 284.3 billion in 2015, an increase of Rs. 101.2 billion compared to 2014. There were Rs. 65.8 billion International Sovereign Bond (ISB) repayments have been made during the year.

TABLE 15
TREASURY BILLS PRIMARY AUCTION WEIGHTED AVERAGE YIELD RATES

| Period | Per cent per annum | | | | |
|---------|--------------------|-----------|----------|---------------|--------------|
| | 31/12/2014 | 2015 | | | |
| | | End March | End June | End September | End December |
| 91 day | 5.74 | 6.60 | 6.08 | 6.78 | 6.38 |
| 182 day | 5.84 | 6.70 | 6.18 | 7.07 | 6.69 |
| 364 day | 6.00 | 6.80 | 6.28 | 7.18 | 7.11 |

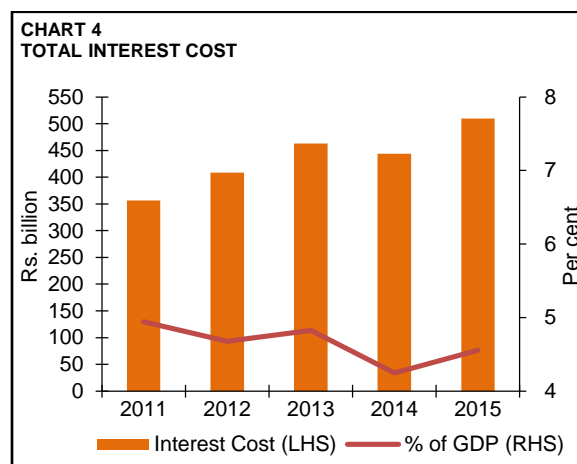
Source: Central Bank of Sri Lanka

Amortization payment on account of T-bonds held by foreigners increased by Rs. 26.4 billion to Rs. 91.9 billion in 2015 compared to the repayment of Rs. 65.5 billion in 2014. The increase in maturing foreign debt stock and depreciation of rupee, which increase the rupee value of foreign debt repayments, contributed to the increase in foreign amortization payments during the year.

3.3 Interest Cost

The total interest cost on public debt in 2015 amounted to Rs. 509.7 billion, an increase of Rs. 66.1 billion (14.90 per cent), compared to Rs. 443.6 billion of total interest cost in 2014 reflecting the relatively higher domestic borrowing in 2015. The total interest cost on public debt as a percentage of the GDP increased to 4.56 per cent in 2015 from 4.25 per cent in 2014. Further, the expenditure on payment of interest on public debt decreased to 35.03 per cent of the total revenue of

the government in 2015 compared to 37.11 per cent in 2014.



3.3.1 Interest Cost on Domestic Debt

The interest cost on domestic debt increased by 20.25 per cent to Rs. 394.3 billion in 2015 from Rs. 327.9 billion in 2014 amidst the 15.93 per cent increase in domestic debt stock to Rs. 4,959.2 billion at end 2015 from that of Rs.4,277.8 billion at end 2014. Interest payments on T-bonds and SLDBs, mainly contributed to the increase in domestic interest cost.

3.3.2 Interest Cost on Foreign Debt

The total interest payments on foreign debt slightly decreased by Rs. 0.3 billion (0.26 per cent) to Rs. 115.4 billion in 2015 from Rs. 115.7 billion in 2014. The decrease in interest payments on foreign debt is mainly

TABLE 16

PRIMARY MARKET WEIGHTED AVERAGE INTEREST COST ON DOMESTIC BORROWING ^(a)

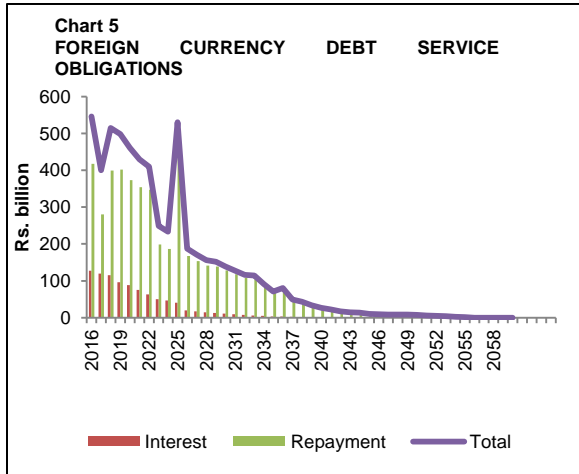
| Instrument | Per cent | | |
|----------------|----------|-------|------|
| | 2013 | 2014 | 2015 |
| T-bills | 10.45 | 6.68 | 6.46 |
| T-bonds | 11.72 | 10.17 | 9.46 |
| Rupee Loans(b) | - | - | - |

Source: Central Bank of Sri Lanka

(a) Weighted average interest cost = $\frac{\sum(\text{Amount issued} * \text{Yield})}{\text{Total amount issued}}$

(b) No new rupee loans were issued since 2012.

attributable to the significant increase in amortization payments by Rs.101.2 billion on foreign loans, maturing/selling of T-bonds held by foreigners and ISB repayments.

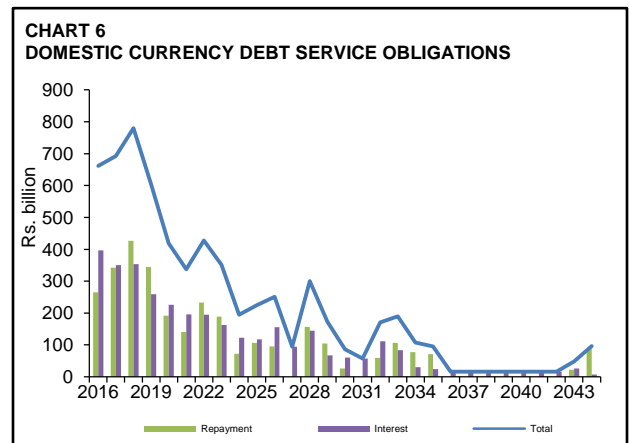


The cautious approach to manage ideal mix of domestic and foreign instruments enable to manage interest cost on foreign debt amidst depreciation of rupee against major foreign currencies during 2015.

3.4 Future Debt Service Obligations

The continuation of extending the maturity structure of government securities including the issuance of 30 year maturity Treasury bonds in the domestic market enabled the government to spread out its debt service obligation further to 2045 in 2015. The

improvements made to the maturity profile of the domestic debt is reflected by the reduced portion of future domestic currency debt service obligations, that is expected to mature over the next five years. Strategic objectives stipulated in the MTDS, enhancement of ATM of both local and foreign currency denominated debt while reducing the debt stock measured in terms of GDP, debt service obligations of the government on account of foreign debt also extended up to 2060 at end 2015. Further, the distribution of foreign currency denominated debt obligations across longer maturities was also considered during 2015 amidst the expectation of increasing international interest rates. Appropriate strategies to manage total cost of repayments and interest payments of foreign debt were consistently evaluated within the overall public debt service payments across the medium term.



4. Market Operations in 2015

Overview

The Public Debt Department (PDD), being the agent responsible for raising the government funding requirement, implemented the Government's borrowing programme for 2015 achieving the objective of raising funds at lowest possible cost whilst maintaining a manageable level of risk. The borrowing programme has been executed within the overall borrowing limit specified in the Appropriation Act by issuing Treasury bills (T-bills), Treasury bonds (T-bonds) and Sri Lanka Development Bonds (SLDBs) in the domestic market and International Sovereign Bonds (ISBs) in the international capital market while raising other external loan facilities by way of project loans, commodity loans etc. were handled by the External Resources Department of the Ministry of National Policies and Economic Affairs..

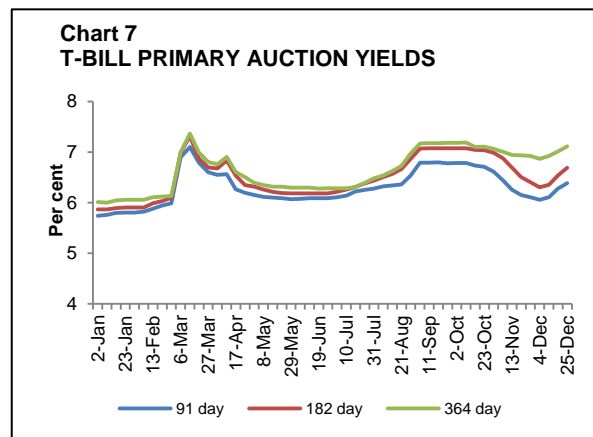
New domestic political developments in the aftermath of two crucial elections and resultant changes in the macro economy aggravated by adverse external developments following tightened financial market conditions, contributed for a multitude of changes in the economy making the issuance of debt in 2015 quite challenging. In particular marked deviations in the fiscal targets owing to the decline in growth rates, higher

expenditure and depreciation of the rupee had contributed negatively for the implementation of the borrowing program in 2015. Consequent to such developments, volatility in the market interest rates was significant and abandoning of direct placements/ private placements in the issuances of government securities in end February 2015 was also contributory for such volatility in the interest rates. Upward pressure on interest rates was further increased by the removal of limitations on Standard Deposit Facility at the beginning of the first quarter of 2015. However with the reduction of policy rates by 50 basis points in April 2015, Government Securities Market interest rates declined and stabilized during the middle of 2015. In the backdrop of such developments, the Public Debt Department had to resort in adopting various strategies to launch the Government's borrowing program at possible low costs with manageable degree of risk. The two issuances of International Sovereign Bonds initially in end May and thereafter in end October eased the pressure on the interest rates in the domestic front amidst continuous decline of investments by foreign investors during 2015.

In addition, the increased issuances of USD denominated SLDBs also contributed to tighten the spreads of government security interest rates in 2015.

4.1. Treasury bills Primary Market

Government used Treasury bills (T-bills) as the key debt instrument to manage the short term Treasury cash-flow requirement and issued via weekly auctions of three standard maturities during 2015 i.e., 91-day, 182-day and 364-day.



The gross fund mobilization through T-bills (91-day, 182-day and 364-day) in 2015 was Rs. 1,589.5 bn on a face value basis compared to Rs. 1,144.0 bn in 2014.

The face value of outstanding T-bills at the end of 2015 was Rs. 663.5 bn in comparison to Rs. 750.3 bn recorded at the end of 2014. The PDD conducted fifty two weekly T-bill auctions in 2015. During the year, acceptance of investment in government securities through direct placements was abandoned and replaced with a fully auction based system. The shift in investor sentiment from short term T-bill investment to medium and long term investments in government securities was clearly visible in 2015.

The decline in foreign Investments in T-

bills from Rs. 55.5 bn as at the end 2014 to Rs. 5.0 bn at the end of 2015 is indicative of the changes in foreign investor sentiments from short term investments to medium to long term government securities. However, this decline is mainly due to global financial market conditions which had an adverse impact towards emerging market and developing economies. The speculations among financial markets over possible policy rate increase by the United States Federal Reserve Bank from the beginning of the year and the increase of policy rates by 25 basis points in December 2015 contributed immensely for this shift in investor preference.

The behavior of the yield rates of T-bills in the primary market in 2015 was highly deviated from the preceding year as it increased to 6.45, 6.83 and 7.30 per cent at the end of 2015 from 5.74, 5.84 and 6.00 prevailed at end 2014 in relation to 91-D, 182-D and 364-D T-Bills respectively. In contrast, interest rates declined continuously in 2014. The Central Bank's decision to remove the restrictions placed on the access to the Standing Deposit Facility (SDF) in March 2015, delays in foreign financial inflows owing to adverse developments in the global financial markets, changes in market anticipation due to high domestic borrowing requirement of the government, exchange rate fluctuations and the Central Bank's decision to abandon direct/ private placements and to issue government securities through public auctions contributed for this

TABLE 17
TREASURY BILL PRIMARY AUCTION DETAILS (Rs. Billion)

| 2014 | 91 Days | | | | 182 Days | | | | 364 Days | | | |
|------|---------|----------|--------|----------|----------|----------|--------|----------|----------|----------|-------|----------|
| | Offered | Accepted | % | WAYR (%) | Offered | Accepted | % | WAYR (%) | Offered | Accepted | % | WAYR (%) |
| Q1 | 35.50 | 74.63 | 210.23 | 6.31 | 47.50 | 53.07 | 111.72 | 6.52 | 89.00 | 80.57 | 90.53 | 6.45 |
| Q2 | 55.00 | 103.19 | 187.62 | 6.13 | 97.00 | 134.41 | 138.56 | 6.32 | 145.00 | 105.41 | 72.70 | 6.50 |
| Q3 | 52.00 | 104.82 | 201.58 | 6.39 | 90.00 | 92.33 | 102.58 | 6.49 | 115.00 | 26.81 | 23.51 | 6.68 |
| Q4 | 34.00 | 69.66 | 204.88 | 6.52 | 92.00 | 112.05 | 121.80 | 6.72 | 132.00 | 49.54 | 37.53 | 6.99 |

Source: Central Bank of Sri Lanka

upward shift. A decline in the yield was observed during April-June due the reduction in policy rates in mid April 2015, but increased thereafter. Consequently, the primary market yield rate for 91-day, 182-day and 364-day maturities increased by 64 bps, 85 bps and 111 bps, respectively, at the end of 2015.

During 2015, as a step to reduce maturity mismatch in debt portfolio, maturing T-bills were replaced by medium to long term Treasury bonds mainly to reduce the debt rollover risk, and to increase the Average Time to Maturity (ATM) of the domestic debt portfolio. As at the end of 2015, the Average Time to Maturity (ATM) of the T-bill portfolio was 0.29 years compared with 0.41 years at the end of the previous year. Along with such watchful debt issuance strategies, despite an increasing interest rate environment, PDD was able to raise T-bills at lower WAYR in 2015 compared to 2014. The WAYR for 91-D, 182-D and 364-D T-bills in 2015 were at 6.32, 6.50 and 6.60 per cent respectively compared to 6.58, 6.57

and 6.73 per cent recorded for 2014.

4.2. Treasury bonds primary market

The total outstanding Treasury bonds (T-bonds) increased to Rs. 3,699.9 bn by Rs. 3,341.7 bn at the end 2015 with 62 T-bond series. During the year, 37 T-bond auctions were conducted by the PDD, either as single or multiple maturity auctions, for 79 different maturities.

During the year, PDD was able to issue medium to long term T-bonds creating a considerable leeway in future management of annual borrowing requirement of the government. Accordingly, T-bonds with the maturity of 30 years and 20 years were issued in February and March 2015 respectively. The primary market yield rate for T-bonds ranged between 6.70 per cent on 2-year T-bonds to 11.73 per cent on 30-year T-bonds.

During the year steps have been taken to replace short term maturities with the issuances of

T-bonds with long term maturities and as a result PDD was able to extend the ATM of T-bond portfolio from 6.98 years at end 2014 to 7.35 years at end of 2015. A higher ATM of T-bonds helped to ease roll-over risk while reducing the pressure on debt amortization expenditure of the government budget. Further, reopening of existing T-bond series continued with the purpose of increasing the liquidity of the benchmark T-Bond series available in the market and to manage new-issuance premium of debt securities financing.

Meanwhile, accommodation of foreign investments within the expected lee-way arising from the gross borrowing limit also helped in managing adverse effects in the domestic market and continued to tighten the spreads and yield levels of T-bonds in 2014. However, foreign investment in T-bonds declined to Rs. 298.7 bn at end 2015 from Rs. 401.7 bn of the preceding year mainly due to adverse external financial market conditions towards emerging markets and developing economies throughout the year.

4.3. Sri Lanka Development Bonds and International Sovereign Bonds

The funds raised through the issuances of SLDBs in 2015 were USD 2,491.4 mn. PDD was successful in easing the pressure on domestic debt instruments through issuing USD denominated SLDBs at various floating rates and two ISBs raising USD 2.15 bn in June and November 2015, at yield rates of 6.125 per cent and 6.850 per cent,

respectively. The ISBs issued in October raising USD 1.5 bn was the largest offering within a year in the international market by Sri Lanka.

TABLE 18
SLDBs ISSUED DURING 2015

| Date of Issue | Amount Accepted (USD million) |
|----------------------|--------------------------------------|
| 21-Jan-15 | 305.00 |
| 26-Jan-15 | 50.00 |
| 13-Feb-15 | 25.00 |
| 18-Feb-15 | 50.00 |
| 23-Feb-15 | 25.00 |
| 24-Feb-15 | 20.00 |
| 25-Feb-15 | 35.00 |
| 26-Feb-15 | 10.00 |
| 16-Mar-15 | 156.50 |
| 1-Apr-15 | 100.00 |
| 30-Apr-15 | 81.25 |
| 1-Jun-15 | 338.00 |
| 29-Jun-15 | 327.00 |
| 15-Jul-15 | 291.00 |
| 16-Jul-15 | 10.00 |
| 3-Aug-15 | 165.25 |
| 18-Aug-15 | 172.37 |
| 19-Oct-15 | 330.00 |
| Total | 2,491.37 |

Source: Central Bank of Sri Lanka

The outstanding SLDB stock was increased to USD 4,640.1 mn at the end of 2015 compared to USD 2,984.3 mn at the end 2014. Yields of six months London Inter-Bank Offered Rate (LIBOR) plus a weighted average margin ranging from 280 bps to 400 bps were given to raise SLDBs where Licensed Commercial Banks were the main investors and majority of the investments were held to maturity by these banks.

4.4. Secondary Market Operations

The total transaction volume of government securities (T-bills and T-bonds) on an

outright basis in 2015 was Rs. 5,378 bn and this was Rs. Rs. 5,705 bn in 2014. The total volume of transactions on Repurchase and Reverse Repurchase basis was recorded as Rs. 43,116 bn in 2015 and this was an increase of 31.7 per cent compared to at Rs. 32,737 bn in the previous year.

TABLE 19
SECONDARY MARKET TRANSACTIONS

| Year | Rs. billion | | | |
|------|----------------------------|------------------|----------------------------|------------------|
| | T-Bills | | T-Bonds | |
| | Outright Purchases / Sales | Repo / Rev. Repo | Outright Purchases / Sales | Repo / Rev. Repo |
| 2014 | 1,547.0 | 13,513.7 | 4,158.5 | 19,223.1 |
| 2015 | 1,357.8 | 8,731.2 | 4,020.6 | 34,385.2 |

Source: Central Bank of Sri Lanka

4.5. Secondary Market Yield Rates

In line with the movement of primary market yield rates, the secondary market yield rates for government securities in 2015 changed during 2015. The secondary market yield rates of T-bills increased substantially at the end of the year with the 91-day, 182-day and 364-day T-bill yields increasing by 105 bps, 110 bps and 140 bps, respectively, compared to the beginning of the year.

Following the trend in the yield rates of short term government securities, the medium to long term T-bonds also increased in the range of 297 bps – 335 bps between the beginning of January 2015 and end December 2015.

TABLE 20
TRANSACTIONS IN TREASURY BONDS

| TOP TEN TRADED TREASURY BONDS BY VALUES | | | | | |
|---|--------------|---------|-------------|--------------|---------|
| Series | 2014 | | Series | 2015 | |
| | ISIN | Values | | ISIN | Values |
| 08.50%2018C | LKB00618D018 | 1,755.9 | 08.25%2017A | LKB00317C019 | 7,232.1 |
| 11.75%2015A | LKB00615C156 | 1,745.5 | 08.75%2017A | LKB00417E153 | 4,405.2 |
| 08.25%2017A | LKB00317C019 | 1,710.2 | 07.50%2018A | LKB01518H150 | 1,737.8 |
| 10.60%2019A | LKB00619G019 | 1,544.1 | 08.50%2018C | LKB00618D018 | 1,723.6 |
| 08.00%2017A | LKB00517A018 | 1,492.8 | 08.00%2032A | LKB02032A016 | 1,525.5 |
| 07.50%2018A | LKB01518H150 | 1,464.7 | 08.50%2018D | LKB00618F013 | 1,452.0 |
| 08.00%2022A | LKB01022A018 | 1,380.9 | 10.60%2019B | LKB00619I155 | 1,413.9 |
| 11.20%2022A | LKB00922G017 | 1,293.2 | 08.50%2015A | LKB00415K014 | 1,274.8 |
| 11.40%2024A | LKB01024A014 | 1,175.7 | 10.60%2019A | LKB00619G019 | 1,251.3 |
| 08.00%2032A | LKB02032A016 | 1,126.0 | 11.40%2024A | LKB01024A014 | 1,241.1 |

Source: Central Bank of Sri Lanka

5. The Medium Term Debt Management Strategy 2016 - 2020 and Issues and Challenges

Overview

The Medium Term Debt Management Strategy (MTDS) provides a framework for a prudent borrowing programme that the CBSL intends to execute over the next three to five year period (medium term) with the objective to maintain public debt at a sustainable level. The MTDS is primarily focused in raising of funds required to meet the cash flow needs of the government in an appropriate composition, in line with the projected macroeconomic indicators and market environment, to ensure the government debt management objectives are satisfied.

The MTDS for 2016-2020 articulates the direction in managing the public debt over the next five years within the defined overall profile of risk parameters. In formulating the MTDS, particularly considerations, such as potential variation in debt servicing costs and its budgetary

debt markets, are factored. Executing the debt management strategy eventually entails at containing risks to the government's balances sheet by minimizing both the potential public debt-related burden and opportunity cost of resource availability for other sectors of the economy.

The MTDS for 2016-2020 is a continuation of MTDS for 2015-2018. It is imperative that the strategy takes into account the changes in local and global economy and reflects current developments in the latest form while articulating on an ongoing basis of the required adjustments in implementing overall targets stipulated in the MTDS. The MTDS for 2016-2020 has been formulated on the basis of the Government Budget 2016 and the medium term policy direction announced by CBSL in the Annual Report 2015.

5.1 Expected Benefits of the MTDS

The MTDS is expected to provide an outline for decision making and to make informed of the choices that the government's financing requirements are met within a given set of conditions and risk potentials. Such a methodical approach in decision making related to government debt management would strengthen the efficiency and effectiveness of the functions of the CBSL, as the fiscal agent of the government. The following benefits are expected to be accrued on the basis of implementation of the MTDS.

5.1.1 Evaluating the cost-risk trade-offs:

The MTDS allows prudent decisions after identification and analysis on costs and risks associated with alternative strategies available for financing the government's borrowing requirement. CBSL recognizes that clearly defined MTDS would avoid possibilities of biased decision making on the basis of minimizing cost while compromising on risk parameters.

5.1.2 Identifying and managing risks:

Despite the availability of several alternative sources of financing the government borrowing requirement, the MTDS allows the CBSL to identify,

estimate, and evaluate risks associated with such alternative sources of financing. Further, it provides an opportunity to evaluate the impact on the overall risk profile of the public debt portfolio emanating from utilization of alternative financing options. Identification of risks associated with alternative financing options on a proactive basis, provides CBSL an opportunity to set up appropriate risk mitigating mechanisms to better utilization of such alternative funding arrangements and manage the impact of negative eventualities, if any. In the process of identification of suitable risk mitigation techniques, the MTDS facilitates numerous considerations, including further development of the domestic debt markets.

5.1.3 Coordination:

The MTDS facilitates proper coordination of fiscal policies with monetary policies and other macroeconomic variables. The MTDS framework allows understanding the constraints, including developments in the domestic debt market and conditions of balance of payment. Such policy coordination allows different government agencies to focus on its core objectives, also helps to achieve transparency and accountability of managing the public debt.

5.1.4 Identification of constraints:

The MTDS allows CBSL to ascertain limitations that affect its role as the fiscal agent of the government and its statutory objectives, economic and price stability and financial system stability, so as to formulate and implement remedial measures to ease-off such limitations.

5.2 Implication of medium term fiscal policy direction as mentioned in 2016 Budget and the Medium Term Macroeconomic Outlook of the Annual Report of the Central Bank on MTDS 2016-2020.

The medium term macro fiscal framework of the government, as articulated in 2016 budget, is designed to strengthen, further, the fiscal consolidation process by reducing the budget deficit and improving the government debt profile. The budget deficit is expected to reduce to around 4 per cent of GDP in the medium term, and allow the government debt to further reduce to a conducive level in line with country's development objectives. Moreover, the increase of government revenue to reach 14.9 per cent of GDP over the medium term from 13.1 per cent of GDP in 2015, with

continuous efforts to rationalize expenditure, in an environment of appropriate and stable interest rate regime continued. As a result, the current account surplus in 2016 would be further strengthened in the medium term, creating more fiscal space to achieve the government's MTDS designed to gradually reduce the debt stock to GDP ratio to around 63 per cent by 2019, and further to about 60 per cent by 2020. In addition, it is envisaged to lengthen the ATM of the debt stock, while reducing debt servicing costs in the medium term. The conduct of monetary policy by CBSL in the medium term will focus on maintaining inflation in mid-single digit levels while facilitating the economy to realize its potential. Maintaining headline and core inflation at single digit levels for a period of over five years has led to well anchored inflation expectations, allowing market interest rates to remain at appropriate and stable levels in the medium term, while facilitating a prudent debt management.

5.3 Stated Objectives of the MTDS 2016-2020

The primary objective of the MTDS is to ensure that the government's financial requirements are met at the lowest possible cost within a prudent level of risk over the medium term. Besides, the following

ancillary objectives are defined in the MTDS to facilitate the primary objective.

- (a) Evaluating and managing the risk involved in different debt compositions;
- (b) Facilitating coordination with fiscal and monetary management;
- (c) Enhancing the transparency in public debt management;
- (d) Enhancing the efficiency and competition of the primary market for government securities;
- (e) Broadening and deepening of the secondary market for government securities;
- (f) Diversification of investor and instrument base;
- (g) Enhancing the efficiency of the secondary market by development of a dynamic benchmark yield curve across the term structure;
- (h) Enhancing of Debt Dynamics;
- (i) Issuance of a Treasury bond calendar for both domestic currency and foreign currency issuances; and
- (j) Upgrading the infrastructure of the domestic debt market supported by e-trading platform together with a central clearing arrangement.

5.4 Targets as set out in the MTDS 2016 – 2020

The targets, as set out in the MTDS for 2016-2020 are as follows.

| Indicator | 2015 | Annual Targets | | | | |
|--|------|----------------|------|------|------|------|
| | | 2016 | 2017 | 2018 | 2019 | 2020 |
| Overall Budget Deficit/GDP Ratio (%) | 7.4 | 5.4 | 5.0 | 4.5 | 4.0 | - |
| Debt/GDP Ratio (%) | 76.0 | 74.0 | 70.0 | 66.0 | 63.0 | 60.0 |
| Total Revenue and Grants / GDP | 13.1 | 12.7 | 13.5 | 13.9 | 14.9 | - |
| Average Time to Maturity (years) | 6.3 | 6.4 | 6.6 | 6.8 | 7.0 | 7.0 |
| Ratio of Short Term Domestic Debts to Total Domestic Debts (%) | 18.4 | 20.0 | 19.5 | 19.0 | 18.5 | 18.0 |
| Ratio of Foreign Currency Debts to Total Debts (%) | 46.3 | 43.0 | 40.0 | 38.0 | 35.0 | 30.0 |

5.5 Issues and Challenges of Implementation of MTDS

5.5.1 Maintaining the dynamism of the benchmark yield curve for government securities:

A dynamic benchmark yield curve is a vital factor for a well-functioning secondary market for government securities and other financial instruments. An effective and dynamic benchmark yield curve provides opportunities to reduce refinance risk in fulfilling government financing requirements. The extension of yield curve, up to a 30-year maturity horizon by issuing benchmark securities on a periodic basis, has facilitated minimizing market

fragmentation. Further, it has provided a reliable benchmark for the private sector to emulate and develop the market for the other financial instruments. Frequent issuance of long term bonds and reopening of existing securities has improved market liquidity. Yet, due to its segmented nature and less volume of transactions in the secondary market for long term maturities, the dynamism of the benchmark yield curve at longer-end has reduced.

Most of the secondary market trades in government securities take place via Over the Counter (OTC) market at present. The reluctance of market participants to conduct trade between counterparties, freely and transparently, has increased reliance on the OTC market due to the underlying credit and settlement risks. At present, sellers/buyers of government securities do not transact with buyers/sellers if there are no pre-determined internal credit limits. These practices have created discernment among segments of market participants and discouraged price discovery, transparency and efficiency of the market. As there is no regulatory reporting requirement, the underlying prices and yields of these OTC transactions are not reflected on real-time basis, thus creates an asymmetry in market information. These inefficiencies has created

lack of representativeness in the benchmark yield curve government securities.

5.5.2 Lack of secondary market liquidity in terms of rupee leg and the security leg:

Since 2004, settlements of government securities transactions in the secondary market have been done through Scrip-less Securities Settlement System (SSSS) and Real Time Gross Settlement System (RTGS). These systems employ, a DVP-1 settlement mechanism that settles each security and payment instruction individually, irrevocably on real time basis, using funds and securities in the participants' Settlement Accounts held in the SSSS and RTGS.

Each secondary market transaction in government securities is required to be settled on one-to-one gross basis, where market participants are expected to maintain substantial amounts of liquidity in both security and rupee terms. As a result, transaction volumes of government securities in the secondary market has remained rather hindering.

5.5.3 Exclusivity in primary auction system and primary auction participation:

Primary auctions for government securities are conducted only through the dedicated Primary Dealers (PDs). There are 15 PDs. These PDs are expected to act as intermediaries between the CBSL and the investors in government securities. Thus, PDs are considered to be the market makers for such instruments. PDs have not been able to perform an effective market making role, continuously, as the non-bank PDs have become passive investors in T-bills and T-bonds leaving bank-PD units to dominate primary auctions.

This has been further aggravated, as the PDs have held large stocks of T-bills and T-bonds in proprietary portfolios. At the time of reversal of market interest rates, PDs incurred marked-to-market losses and refrained them from actively trade in government securities, while diminishing prospects of market making activities.

5.5.4 Effective cash flow forecasting and cash balance management of the government:

Apart from cash flow forecasts and cash balance management practices of the

government, timely information on aggregate overnight cash balances, or float, and the accuracy of those balances are essential to formulate an efficient borrowing programme, and to ensure that the float is in accordance with the MTDS. Provisioning of accurate and timely forecasts on government cash flows and the end-of-day balances would enhance efficiency of the MTDS.

Excess liquidity in government accounts, at times, could be used to retire or buy back government securities that would enable managing of the cost of financing effectively. Lack of provisions, for a) buy back arrangements outside the gross borrowing limit b) maintenance of a pre-funding account and c) active trade desk facilitation at the issuer, would facilitate improving efficiency of cash flow management and would address possible risks parameters including bunching of maturities.

5.6 Measures taken to address the issues and challenges of implementing MTDS

5.6.1 Standardization of market regulations and other legal documents:

The CBSL continued to review the existing laws and regulations pertaining to the government securities market in 2015. The initiatives aimed at reducing the information asymmetry, increasing the core capital requirements, enhancing secondary market liquidity, improving safety of investors and increasing the overall stability of the PD industry.

5.6.2 Electronic Trading System (ETS):

Electronic Trading or commonly named as e-Trading is an automated facility, which is used in capital/ money market dealings between traders. ETS facilitates order entry, deal management, order matching with defined priority rules such as price- time priority coupled with deferred net settlement procedure and information dissemination using industry accepted protocols. Budgetary provisions has been reserved, in order to put in place a state of art ETS for government securities.

5.6.3 Central Counterparty Platform:

A Central Counter Party (CCP) is an arrangement that guarantees the settlement of securities and funds, thus minimizes the settlement risk and the counter-party credit risk of trades/ transactions through contribution of its clearing members (CM).

Along the establishment of ETS, the CBSL has initiated measures to put in place a CCP.

5.6.4 Market based mechanism in auctioning of T-bills and T-bonds:

Raising of funds from the primary market, to meet the borrowing requirement of the government, was entirely done through auctions since March 2015. As a result, the yield rates were entirely determined through the market based mechanism that enabled to derive a more representative long term benchmark yield curve for government securities.

5.6.5 Conversion of SLDBs to Scripless securities:

With the growing market preference for SLDBs, issuances of SLDBs have increased, significantly, since 2013. Due to its hassle of dealing with physical certificate, the secondary market for SLDBs not very active as in case for secondary market for scripless government securities. Thus, initiatives have been taken to issue SLDBs in scripless form with the target to increase the efficiency in the SLBD market by improving secondary market trading, while eliminating the risks associated with paper-based securities.

6. Performance of Primary Dealers

The Primary Dealers (PDs) are specialized institutions appointed by the Monetary Board of CBSL to deal in government securities under the Local Treasury Bills Ordinance No 8 of 1923 (LTBO) and the Registered Stock and Securities Ordinance No. 7 of 1937 (RSSO). PDs play a vital role in the government securities market by building a stable and dependable source of demand for government securities via active market participation being market makers. The role of PDs as intermediaries in the government securities market has strengthened the

competitiveness in the government securities market.

6.1 Financial Performance

The PD system was first introduced in 2000 with the objective of expanding the government securities market and raising funds at the lowest possible cost and expanding and broad basing the government securities market. During 2015, number of PDs were 16 comprising Licensed Commercial Banks (LCBs), and 8 Standalone PDs consisting of 2 Primary

Table 21

SELECTED KEY FINANCIAL INDICATORS OF PD INDUSTRY

| Item | 2013 | 2014 | 2015 ^(a) | (% Change in | |
|---|--------|--------|---------------------|--------------|---------------------|
| | | | | 2014 | 2015 ^(a) |
| Total Assets (Rs. Bn.) | 212.76 | 195.26 | 282.64 | (8.22) | 44.75 |
| Total Gov. Securities Portfolio (Rs. Bn.) | 210.95 | 192.51 | 278.07 | (8.74) | 44.44 |
| Repo (Rs. Bn.) | 126.41 | 123.86 | 179.31 | (2.01) | 44.76 |
| Capital Base (Rs. Bn.) ^(b) | 6.61 | 9.21 | 13.48 | 39.38 | 46.33 |
| Risk Weighted Capital Adequacy Ratio (%) | 18.36 | 21.78 | 25.45 | 3.42 | 3.67 |
| Repo/Assets Ratio at end Period (%) | 59.41 | 63.43 | 63.44 | 4.02 | 0.01 |
| Leverage (times) ^(b) | 7.43 | 7.24 | 4.79 | (0.19) | (2.45) |
| Net Interest Margin (%) | 2.99 | 2.89 | 2.30 | (0.10) | (0.59) |
| Trading Gains Ratio (%) | 2.38 | 4.06 | 3.70 | 1.68 | (0.36) |
| ROA (%) | 4.04 | 4.44 | 3.66 | 0.40 | (0.78) |
| ROE (%) ^(b) | 28.40 | 39.44 | 46.09 | 11.04 | 6.64 |
| One year T-bill yield (year-end) | 8.29 | 6.00 | 7.11 | (2.29) | 1.11 |

(a) Provisional (b) Standalone PDs

Source : Central Bank of Sri Lanka

Dealer Companies owned by Licensed Banks and 6 Non-Bank Primary Dealer Companies. Bank PDs operate through their Primary Dealer Units (PDUs). Financial performance of the industry improved in 2015. Capital base of PDs recorded healthy growth while recording growths in total assets, total portfolio and repo borrowings. However, leverage times, net interest margin and ROA recorded a decline during 2015. Table 6.1 depicts the Key Performance Indicators (KPIs) of PD industry for the period 2013-2015.

Improved Capital Base: Capital base of the standalone PDs increased by 46.33 per cent to Rs. 13.5 billion at end 2015 compared to Rs. 9.2 billion at end 2014. Accordingly, the Risk Weighted Capital Adequacy Ratio (RWCAR) of the standalone PDs also increased to 25.45 per cent at end 2015 from 21.78 per cent at end 2014. During 2015, 6 of the standalone PDs were in compliance with the minimum regulatory capital requirement of Rs.1,000 million. All standalone PDs are in compliance with RWCAR of 10 per cent. The capital leverage ratio of the standalone PDs, the ratio of borrowed funds to own funds, recorded at 4.79 times at end 2015 compared to 7.24 times as at end 2014.

Improved Profitability: The downward movement in yield rates and increased activities in the medium to long-term maturities of government securities enabled PDs to record higher profits in 2015. Profitability measured in terms of the Return on Equity (ROE) of standalone PDs increased from 39.44 per cent in 2014 to 46.09 per cent in 2015. However, profitability measured in terms of the Return on Assets (ROA) of PDs declined from 4.44 per cent in 2014 to 3.66 per cent in 2015. PD industry as a whole, secured a profit before tax of Rs.8.8 billion in 2015 compared to Rs.8.7 billion recorded in 2014. Interest income accounted for 77.64 per cent of the total income and the balance was capital gains.

Repo Borrowings continued to be the major funding source of PDs: PDs reliance on repo borrowings to finance the portfolio of government securities continued to be prominent during the year. The total borrowings of PDs under repo agreements increased by 45 per cent to Rs. 179.31 billion at end 2015 from Rs. 123.86 billion at end 2014. The total repo borrowing as a percentage of total assets increased marginally to 63.44 per cent at end of 2015 from 63.43 per cent at end of 2014.

Improved Total Assets: Total assets of the industry mainly consisting of government securities increased by 45 per cent to Rs. 282.64 billion at end 2015, compared to Rs. 195.26 billion in 2014. The portfolio of government securities, consisting trading, investment, available for sale and reverse repo, accounted for 98.4 per cent of the total assets of the industry. Government securities held by PDs in their trading portfolios recorded an increase of 15.3 per cent to Rs. 132.8 billion at end 2015 from Rs. 115.1 billion at end 2014.

6.2 Risk Management

Market Risk: The proportion of trading portfolio to total portfolio declined to 47.76 per cent by end 2015 compared to 61.80 per cent at end 2014, reducing the possible market risk exposure of the industry. PD industry recorded a marked-to-market loss of Rs. 1,035.56 million at end 2015, compared to the marked-to-market loss of Rs. 763.28 million at end 2014.

Stress testing, which is used as a risk assessment technique to assess the resilience of the PDs portfolio to a change in interest rates, revealed that there was no imminent threat to the stability of the PD

system during 2015. The stress test results indicate that 100 bps increase in interest rates would erode the capital base of the standalone PDs by only Rs. 944.6 million and reduce RWCAR by 2.32 per cent. However, given the standalone PDs' higher RWCAR, it would still be able to maintain RWCAR above the 10 per cent requirement, even in the event of an upward movement of interest rates by 100 bps from the interest rates prevailed at end 2015.

Liquidity Risk: The liquidity risk exposure of the PDs is measured and monitored by the negative mismatches in overnight maturity profile of assets and liabilities. The overnight negative mismatch of the maturity profile of assets and liabilities of the industry stood at Rs. 7,105.51 million at end 2015, compared to Rs. 23.32 million at end 2014, indicating a significant increase in the liquidity risk exposure of PDs. A similar pattern was observed in the 2-7 days maturity basket which stood at Rs. 52,320.54 million at end 2015, compared to Rs. 9,051.89 million at end 2014. In the 8-30 days maturity basket, PD industry reported a significantly lower negative mismatch of Rs. 12,153.64 million at end 2015, compared to Rs. 26,588.49 million at end 2014.

However, considering the highly marketable nature of the risk free government securities portfolio held by PDs and also the ability to use such government securities as collateral for obtaining funds to bridge any unforeseen liquidity gaps, the liquidity risk profile of PD industry as well as individual PDs, except for one PD who was facing liquidity issues since fourth quarter of 2015, remained low. Further, most PDs had stand-by contingency funding arrangements to bridge any unforeseen liquidity gaps.

6.3 Participation of PDs in Primary and Secondary Markets

Primary Market Participation: During 2015, Bank PDUs dominated T-bill auctions recording a high effective participation level of 70.75 per cent of the industry compared to 67.90 per cent participation level recorded in 2014. A significant improvement was recorded in the effective participation at T-bond auctions by Bank PDUs to 38.75 per cent in 2015 from 7.24 per cent in 2014. Standalone PDs subscription at T-bond auctions during 2015, recorded at 37.35 per cent of the total subscriptions. Effective participation of Employees' Provident Fund at T-bond auctions further

decreased in 2015 to 23.90 per cent from 42.52 per cent of the total subscriptions in 2014.

Secondary Market Participation: Total secondary market transactions of PD industry, which includes outright as well as repurchase transactions, increased significantly by 27.77 per cent to Rs. 15,413.61 billion in 2015 from Rs. 12,063.29 billion in 2014. The increase can be mainly attributed to the increase in repo transactions by 43.65 per cent to Rs.11,813.21 billion in 2015 from Rs. 8,223.56 billion in 2014. The ratio of repo transactions to total secondary market transactions in 2015 recorded at 76.64 per cent compared to 68.17 per cent in 2014.

7. Risk Management in Public Debt and Sustainability of External Debt

7.1 Risk Management in Public Debt

Sound risk management is an integral component of the public debt management as the government debt portfolio remains the single largest financial portfolio in Sri Lanka. The increase in the government debt in Sri Lanka, under the circumstance of financial markets volatility, raises the need for passive risk management strategies, which mainly focus on exploring active means of cost and risk mitigation techniques. These passive risk management strategies are implemented in line with the MTDS, which articulates the overall profile of risk parameters to be followed over the next five years, and the annual borrowing programme, which primarily recognizes the portfolio preference of the government.

Despite the intense contagion effects due to global markets volatility and connectivity, a robust mechanism has been implemented by the Middle Office of the Public Debt Department (PDD) to manage risks pertaining to public debt portfolio consistent with internationally accepted best

practices and norms. This process involves independent identification of risk, measurement, monitoring and reporting of the public debt portfolio.

7.2 Risks Pertaining to the Public Debt Portfolio

In managing country's debt portfolio, the CBSL largely dealt with managing major risks, such as refinancing (rollover) risk and market (exchange rate and interest rate) risk, but the possible incidences of other risks namely liquidity risk, legal risk, operational risk and reputational risk have been adequately factored into the risk management framework with appropriate risk mitigation strategies during the year 2014.

7.3 Analysis of the Risk Profile of the Public Debt Portfolio

7.3.1 Refinancing Risk: Refinancing or rollover risk is the likelihood that the reissue of existing debt would be at an unusually high cost or, in the extreme case, inability to reissue at all. Inability to roll over debt

and/or exceptionally large increases in government funding costs can lead to, or exacerbate, a debt crisis and thereby cause real economic losses, besides the financial effects of higher interest rates that is often treated separately. Thus, high importance was given to the management of refinancing risk linked to the government debt portfolio in 2015.

Refinancing risk is assessed by the ATM and the Ratio of Short-term Debt to Total Outstanding Debt, two of the most widely used indicators to measure refinancing risk of the debt. The risk tolerance levels of these indicators are specified in the MTDS for Sri Lanka. The refinancing risk indicators of public debt portfolio remained healthy in 2015. The overall ATM of the government debt portfolio marginally increased to 6.72 years at end 2015 from 6.62 years at end 2014 mainly due to the increase in ATM of domestic currency debt. The ATM of

domestic currency debt portfolio enhanced to a value of 6.29 years at the end of 2015 from that of 5.75 years in 2014. The ATM of foreign currency debt decreased to 7.18 years as at the end of 2015, partly due to the issuance of two medium term ISB issuances during the year amounting to USD 2,150 million.

Concentration of domestic debt in short maturities at end of 2015 reduced, considerably, with the issuances of longer tenure T-bonds to finance the government borrowing requirement. The share of domestic currency debt maturing within one year to the outstanding domestic currency debt dropped to 20.11 percent at end of 2015 as compared with 23.08 percent at end of 2014. With the issuance of short term maturities (less than one year) of SLDBs the insignificant share of short-term foreign currency debt to total foreign currency debt

TABLE 22
RISK ASSESSMENT INDICATORS (AS AT END OF YEAR)

| Indicator | Domestic Currency Debt | | Foreign Currency Debt | | Aggregate | |
|---|------------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|
| | 2014 ^(a) | 2015 ^(b) | 2014 ^(a) | 2015 ^(b) | 2014 ^(a) | 2015 ^(b) |
| Refinancing Risk | | | | | | |
| Average Time to Maturity (ATM) (yrs) | 5.75 | 6.29 | 7.71 | 7.18 | 6.62 | 6.72 |
| Short-term (original maturity less than or equal to one year) / Outstanding debt (%) ^(a) | 23.08 | 20.11 | 3.05 | 7.14 | 13.48 | 10.80 |
| Interest Risk | | | | | | |
| Duration (yrs) | 3.82 | 3.68 | 6.52 | 6.14 | 4.97 | 4.86 |
| Average Time to Re-fixing (ATR) (yrs) | 5.75 | 6.29 | 6.25 | 5.82 | 5.97 | 6.06 |
| Floating Rate debt / Outstanding debt (%) | - | - | 31.62 | 35.26 | 13.15 | 16.32 |
| Foreign Exchange Risk | | | | | | |
| Share of Foreign Currency Commercial debt / Official Reserves (%) | | | | | 99.61 | 157.20 |
| Share of Foreign Currency debt / Total debt (%) | | | | | 41.57 | 46.29 |

(a) Revised
(b) Provisional

Source: Central Bank of Sri Lanka

(3.05 per cent in 2014) increased to 7.14 in 2015. Total short-term debt as a percentage of total outstanding debt decreased to 10.80 per cent at end 2015 compared to 13.48 per cent at end 2014.

7.3.2 Interest Rate Risk: Interest rate risk refers to the risk associated with changes in market interest rates on servicing cost of public debt. For both domestic and foreign currency debt, changes in interest rates affect debt servicing costs on new issues when the fixed-rate debt is refinanced and on floating-rate debt at the rate reset dates. CBSL examined the exposure to the interest rate risk of the public debt portfolio using three indicators, namely, the duration of the debt stock, Average Time to Refixing (ATR) and the Ratio of Floating Interest Rate Debt to Total Debt.

Duration is an indicator, which measures the time taken to payback the initial investment of the debt stock in present value terms. Duration of the overall public debt portfolio decreased to 4.86 years in 2015 from 4.97 years in 2014 mainly due to issue of longer dated T-bonds at higher yields in 2015. ATR of the debt portfolio measures the weighted average time until all the principal payments in the debt portfolio become subject to a new interest rate. For zero coupon bonds or fixed coupons bonds, ATR is the residual life of the bond. For floating rate bonds, the ATR is the time left until fixing of the next

coupon. ATR of the overall debt portfolio increased to 60.06 years at end 2015 from 5.97 years at end 2014. ATR of foreign currency debt portfolio decreased, significantly, to 5.82 years in 2015 from 6.25 years in 2014. However, ATR of rupee denominated debt increased to 6.29 years by end of 2015 from 5.75 years by end of 2014. Floating interest rate debt to total debt increased to 16.32 per cent as at end 2015 from 13.15 per cent as at end 2014. However, floating rate foreign currency debt to total foreign currency debt increased to 35.26 per cent at end 2015 from 31.62 at end 2014. This was mainly attributable to the fact of frequent issuances of SLBDs in 2015. There was no domestic currency floating rate debt in the debt portfolio.

7.3.3 Exchange Rate Risk: Exchange rate risk arises due to adverse fluctuations in the exchange rate, where depreciation of domestic currency increases the rupee value of debt servicing cost and the outstanding value of foreign currency denominated debt.

CBSL continued to use the Ratio of Foreign Currency Debt to Total Debt to assess the degree of susceptibility of the debt portfolio to exchange rate risk. The share of foreign currency denominated debt in the total debt increased to 46.29 per cent at the end 2015 from 41.57 percent at end 2014 and 35 per cent as envisaged in MTDS 2015-2018.

The increase in the relative share of foreign currency denominated debt stock was mainly to Rs. 277.4 billion. Tightening monetary conditions, such as increasing the SRR, and high borrowing pressure within complete market based mechanism in auctioning Treasury bills and Treasury bonds resulted an increase in interest rates of the domestic market. Thus, financing of budget deficit has been greatly relied on foreign currency, striking a trade-off between costs of borrowing from domestic sources and exposure to foreign exchange risk, financing from foreign source.

7.3.4 Liquidity Risk: The public debt of a country is affected by two types of liquidity risks. One refers to the cost or penalty that investors in government debt securities market face in trying to exit a position, when the number of transactors has markedly decreased or because of the lack of depth of a particular market. The other form of liquidity risk, for the borrower, refers to a situation where the volume of liquid assets can diminish quickly in the face of unanticipated cash flow obligations and /or possible difficulty in raising cash through borrowing in a short period of time. A liquid market facilitates the issuance of large quantities of a debt instrument without significant movement in the interest rate/price.

attributable to significant increase in net borrowings through SLDBs, which amounted CBSL implemented several strategies in 2015 to further improve the liquidity risk profile of the public debt portfolio. Those strategies included issuing long-term T- bonds mainly in benchmark maturities, encourage more foreign participation within the threshold of 12.50 per cent of the total outstanding stock of Treasury bills and bonds, thereby allowing more participation in T-bonds within the approved leeway, increasing the demand for government securities of Sri Lanka by enhancing the confidence among foreign investors, maintaining and taking measures to improve sovereign rating of the country and increasing the competition in the primary market. Due to these measures, the domestic debt securities market liquidity increased during 2015, as reflected in improved outright transactions in government securities and also the substantial amount of new SLDBs issued in 2015.

7.3.5 Operational Risk: Operational risk is endogenous to an institution, which means that it cannot be captured and measured as easily as rollover, interest rate, exchange rate or liquidity risk. As the risk management process of the operational risk is linked to the nature and complexity of the activities, the systems and processes in place, the level of expertise of the people involved in the

process, the quality of top management and the flow of information, managing the operational risk is inherently complex. Operational risk associated with public debt includes risk of loss, whether direct or indirect, arising from a range of different types of risks, including transaction errors, transaction errors in the various stages of executing and recording transactions, inadequacies or failures in internal controls, processes, people or systems, reputation risk, legal risk, security breaches, or natural disasters that affect business continuity.

Several measures including stringent internal control measures consistent with international best practices and risk management principles were taken in 2015 to minimize the operational risk associated with the public debt portfolio. Segregation of duties such as dual access control for auction systems have are in place as internal controls. Availability of fully automated SSSS and RTGS to facilitate DVP are in operation to minimize the settlement risk associated with the government debt portfolio, while protecting participants to a transaction. Further, Contingency situations are effectively managed with the continuation of comprehensive BCP, which is facilitated with a fully-fledged DRS, to support crucial public debt management activities. Periodic assessment of BCP and DRS, which are made mandatory for every dealer direct participant

in government securities, was carried out in 2015.

7.4 Sustainability of External Debt

In general, debt sustainability of a borrower is the ability to service its debt as they fall due without restructuring, defaulting or compromising its long-term goals and objectives. Maintaining the sustainability of external debt is vital for a country as it has limited options to settle financial obligations in foreign currencies.

Sustainable level of external debt can be determined using various indicators, where there is no unanimity in adopting a sole indicator as each indicator has its own advantages and disadvantages. These indicators are primarily in the nature of ratios, to be precise, comparisons between two relevant variables, which facilitate the policy makers in their external debt management exercise.

Five groups of indicators, namely, liquidity monitoring indicators, debt burden indicators, debt structure indicators, NPV indicators, and dynamic indicators, are used to measure the sustainability of external debt. The external debt indicators discussed in this review are mainly based on the proportion of receipts from exports of goods and non-factor services including workers' remittances and

compensation of employees (XGS) that is absorbed for servicing of external debt.

7.4.1 Liquidity Monitoring Indicators

Liquidity Monitoring Indicators illustrate the capacity of a country to settle its external liabilities. These include; Interest Service Ratio, Medium and Long-term Debt Service Ratio, Total Debt Service Ratio and Short-term Debt Ratio.

The Interest Service Ratio (INT/XGS) measures the interest cost of external debt as a percentage of XGS. The value of the ratio decreased slightly to 3.56 per cent in 2015 from 3.73 per cent in 2014 resulting from the increase in XGS at a higher rate than that of foreign interest payments. Both the ratios, the Medium to Long-term Debt Service Ratio (MLDS/XGS) and the Total Debt Service Ratio (TDS/XGS) increased to 11.87 per cent in 2015 from 9.38 per cent and 9.63 per cent in 2014, respectively. Short-term debt ratio (Short-term debt/XGS) also decreased to 0.16 per cent at end 2015 from 1.79 per cent at end 2014.

7.4.2 Debt Burden Indicators

Debt burden indicators measure the level of the burden of external debt on the country's economy. For this purpose, the first ratio that was used is by comparing Disbursed Outstanding External Debt (DOD) with XGS. This ratio measures the foreign debt level as a

proportion of exports of goods and services. It shows the debt burden level over exports or the capability of acquiring foreign exchange. The second indicator is the ratio of DOD/GNP.

The ratio of DOD/GNP was recorded at 32.42 per cent as at the end of 2015 compared to 30.48 per cent at the end of 2014. The DOD/XGS ratio decreased to 109.24 per cent at the end 2015 compared to 100.38 per cent at the end of 2014.

7.4.3 Debt Structure Indicators

External debt portfolio has a great impact on the level of risk exposure of a country and the risk exposure is measured by rollover ratio, which indicates the principal payments to disbursements. This ratio reflects the ability of a country to meet its debt service obligations via external disbursements

The rollover ratio increased to 52.97 per cent in 2015 compared to 40.56 per cent in 2014, due to higher increase in repayments of external debts than the increase in disbursements. The second indicator, short-term debt to total DOD ratio decreased to 0.14 per cent at end 2015 from 1.78 per cent at end 2014.

7.4.4 Net Present Value Indicators

There are two commonly used NPV indicators. The first is the ratio of NPV of

debt service to GNP. The objective of using this ratio is to compare future debt service payments in present value terms, with general level of current economic activity. Second ratio is the ratio of NPV of debt service to XGS and this implies that the capacity of a country to generate foreign exchange receipts. The ratio of NPV of Debt Service/ GNP showed an improvement. This ratio stood at 0.33 at end of 2015 compared to 0.23 at end 2014. The NPV of Debt Service/ XGS ratio too, showed a significant degree of positive impact during the period under review, recording 0.77 times at end 2015, from 1.10 times at end 2014, mainly due to the increase in XGS in 2015 compared to the previous year.

7.4.5 Debt Dynamic Indicators

Debt dynamic indicators compare growth in cost of borrowing with the increase in exports earnings and also with the growth in the overall economy. The share of average interest rate of the debt portfolio to the rate of export growth reported 5.37 in 2015 compared to the 0.27 recorded in 2014, as a result of drop in growth of exports. The share of average interest rate to the rate of GNP growth has increased to 0.41 per cent in 2015 compared to 0.38 percent in 2014 due to relatively higher average interest rate prevailed in 2015 compared to 2014.

7.4.6 Overall Sustainability of Debt

Overall debt sustainability can be broadly assessed using two aggregate indicators, namely, overall debt to GDP ratio and foreign debt service payments as a ratio of official reserves.

TABLE 23
OVERALL DEBT SUSTAINABILITY

| Indicator | Per cent | | |
|---|----------|-------|---------------------|
| | 2013 | 2014 | 2015 ^(a) |
| Debt/GDP | 70.82 | 70.74 | 76.04 |
| Share of foreign debt service /Official reserves ^(b) | 34.55 | 30.49 | 35.80 |

(a) Provisional Source: Central Bank of Sri Lanka
(b) Official reserves at end of the previous year

The total debt to GDP ratio increased to 76.04 per cent at end 2015 from 70.74 per cent at end 2014. The ratio of external debt service payments to official reserves increased to 35.80 per cent in 2015 compared to 30.49 per cent in 2014. These ratios reflected the weak fiscal performance during the year and relatively low economic growth. Increasing borrowing requirement resulting from lower than expected revenue collection and significant depreciation of the rupee against major foreign currencies has largely contributed to the increase in these ratios during 2015. However, by comparing the debt sustainability indicators with their critical values, Sri Lanka is considered as a country in the class of less indebted countries.

TABLE 24
EXTERNAL DEBT SUSTAINABILITY INDICATORS (AS AT END OF YEAR) ^(a)

| Description | 2013 | 2014 | 2015 ^(b) |
|---|--------|--------|---------------------|
| Liquidity Monitoring Indicators ^(c) | | | |
| Interest Service Ratio (INT/XGS) (%) | 3.89 | 3.73 | 3.56 |
| Medium & Long-term Debt Service Ratio (MLDS/XGS) (%) | 11.02 | 9.38 | 12.32 |
| Total Debt Service Ratio (TDS/XGS) (%) | 11.24 | 9.63 | 12.32 |
| Short-term Debt Ratio (Short-term Debt/XGS) (%) | 2.66 | 1.79 | 0.16 |
| Debt Burden Indicators | | | |
| DOD/GNP (%) | 31.61 | 30.48 | 32.42 |
| DOD/XGS (%) | 106.61 | 100.38 | 109.24 |
| Debt Structure Indicators | | | |
| Rollover Ratio (Principal Payments/ Disbursements) ^(c) (%) | 51.99 | 40.56 | 55.83 |
| Short-term Debt / Total DOD (%) | 2.50 | 1.78 | 0.14 |
| NPV Indicators ^(d) | | | |
| NPV of Debt Service/GNP | 0.35 | 0.33 | 0.23 |
| NPV of Debt Service/XGS | 1.21 | 1.10 | 0.77 |
| Dynamic Indicators ^(c) | | | |
| Avg. rate of Interest/rate of growth of export | 0.26 | 0.27 | 5.37 |
| Avg. rate of Interest/rate of growth of GNP | 0.28 | 0.38 | 0.41 |

Source: Central Bank of Sri Lanka

(a) Based on central government debt.

(b) Provisional.

(c) Including T-bill & T-bond payments to non-residents.

Note: Premature unloading of foreign investments in Treasury bonds tearted as repayments to the external sector that resulted to

Note: DOD represents total disbursed external debt outstanding.

GNP: gross national product.

XGS: exports of goods and non-factor services including workers' remittances and compensation of employees,

TDS: total external debt service payments

INT: external interest payments

MLDS: external medium and long-term debt service payments and,

NPV represents the present value of the stream of future debt payments on foreign debt, discounted at CIRR.

Special Appendix

1. Major Developments in the Government Securities Market in Sri Lanka

- 1923 - Enactment of the Local Treasury Bills Ordinance (LTBO) enabling the Government to borrow through the issue of Treasury bills (T-bills)
- 1937 - Enactment of the Registered Stock and Securities Ordinance (RSSO) enabling the Government to borrow through the issue of medium and long term government securities
- 1941 - Commencement of T-bill issues under parliamentary approval
- 1949 - Enactment of the Monetary Law Act (MLA) entrusting the Central Bank of Ceylon to act as the agent of the government in managing public debt
- 1957 - Enactment of the Foreign Loans Act
 - Enactment of the Tax Reserve Certificates Act
- 1981 - Commencement of the issuance of six months (182 days) T-bills. Prior to 1981, only three months (91 days) T-bills were issued.
 - Introduction of secondary market operations for T-bills
- 1982 - Enactment of the Loans (Special Provisions) Act
- 1986 - Commencement of weekly issues of T-bills. Fortnightly issues of T-bills on the 1st and the 15th of each month had taken place before 1986.
 - Introduction of Tap system through the regional offices of the Central Bank of Sri Lanka (CBSL).
- 1989 - Issuance of T-bills with multiple maturities of 91-days, 182-days and 364-days
 - Introduction of the Treasury Certificates of Deposit Act
 - Tap system extended through authorized agents
- 1992 - Introduction of accredited Primary Dealer (PD) system. Eleven PDs consisting of eight Licensed

- Commercial Banks (LCBs) and three non-bank dealers were appointed
- 1993 - Introduction of repurchase agreements on T-bills
- 1994 - Reforming the PD system. Eighteen PDs consisting of thirteen LCBs and five non-bank dealers were appointed.
- 1995 - Phasing out of non- competitive bidding by public sector institutional investors
- Introduction of reverse repurchase transactions on T-bills
 - Fixing and prior announcement of T-bills to be issued under each maturity
 - Amendment of LTBO and RSSO to facilitate the issue of scripless T-bills and T-bonds and maintenance of the Central Depository System (CDS)
- 1997 - Commencement of the issuance of Treasury bonds (T-bonds)
- Formation of the Association of Primary Dealers in June 1997
- 1998 - Introduction of an electronic bidding facility
- 2000 - Introduction of the dedicated PD system, where only the dedicated companies were appointed as PDs.
- 2001 - Issuance of Sri Lanka Development Bonds (SLDBs)
- 2002 - Expansion of PD system to LCBs
- 2003 - Enactment of the Fiscal Management (Responsibility) Act
- Introduction of a Code of Conduct for PDs
 - CBSL moved from a system of ‘passive’ Open Market Operations to an ‘active’ OMO system in order to enhance the effectiveness and market orientation of monetary policy operations.
 - Introduction of a screen based trading platform for government bonds.
- 2004 - Conversion of T-bills and T-bonds issued in scrip form into scripless form pursuant to the Regulations issued under LTBO and RSSO in 2004.
- Introduction of Scripless Securities Settlement System (SSSS) (on Delivery Versus Payment (DVP) basis) and the CDS for government securities
 - Issue of government securities in scripless form
- 2005 - Issuance of first index-linked T-bonds

- Issue of the first sovereign credit rating of Sri Lanka by Standard and Poor's (S&P) and Fitch Ratings (Fitch).
- 2006
- Introduction of the Risk Weighted Capital Adequacy framework for PDs
 - Opening up the T-bond market to foreign investors with an aggregate ceiling of 5 per cent of the outstanding bonds.
 - Issue of Sri Lanka Nation Building Bonds (SLNBB)
 - Suspension of the participation of PDs in the CBSL's OMOs
- 2007
- Opening of retail outlets to sell government securities
 - Lifting the suspension of PDs' participation in the CBSL's OMOs
 - Enhancement of the aggregate ceiling of 5 per cent to 10 per cent in respect of investment in T-bonds by foreign investors.
 - Issuance of the first International Sovereign Bond (ISB) of USD 500 million in the international capital market.
- 2008
- Authorizing LCBs to invest in the ISB issued by the Government of Sri Lanka (GOSL), in the secondary market.
 - Opening up of the T-bill market to foreign investors with the aggregate ceiling of 10 per cent of the outstanding bills.
 - Introduction of the PC based payment and securities settlement system as part of the Business Continuity Plan (BCP) of the LankaSettle System.
- 2009
- Issuance of the second ISB of USD 500 million.
 - Opening up of the T-bill and T-bond market to the Sri Lankan Diaspora and Migrant workforce
 - Providing concessions in obtaining Dual Citizenship status by ex-Sri Lankans (holding foreign citizenship) who invest in Sri Lanka government T-bonds subject to certain conditions.
 - Extending the yield curve on government securities up to 10 years
 - Increasing the maximum number of days accepted by the LankaSecure system for future value dated transactions from 31 calendar days to 364 calendar days
 - Upgrading of the sovereign credit rating outlook by S&P and Fitch

- Setting up of the Domestic Debt Management Committee (DDMC) by the Monetary Board on 05 November 2009.
- 2010
- Introduction of participant managed Intraday Liquidity Facility to the LankaSettle and LankaSecure Systems
 - Introduction of an Analytical Tool to develop a Medium-term Public Debt Management Strategy
 - Conducting a workshop for the dealers and treasury officials of PDs on the development of domestic and international economy
 - Issuance of the third ISB of USD 1,000 million with 10 year maturity.
 - Issue of first sovereign credit rating of Sri Lanka by Moody's Investors Service (Moody's) and upgrading of the sovereign credit rating of Sri Lanka by Fitch and S&P.
- 2011
- Issuance of the fourth ISB of USD 1,000 million with 10 year maturity.
 - Upgrading the sovereign credit ratings of Sri Lanka by Fitch, S&P and Moody's.
 - Appointment of three new participants to LankaSecure including one PD and two LCBs namely, WealthTrust Securities Limited, Amana Bank Limited and Axis Bank Limited.
 - Limit on foreign investments in government securities was increased from 10 per cent to 12.5 per cent of the total outstanding stock of T-Bills and T-Bonds.
- 2012
- Issuance of the fifth ISB of USD 1,000 million with 10 year maturity.
 - Upgrading of LankaSettle and LankaSecure (new version 3.6) with many new features to make the day-to-day business operations more efficient and effective.
 - Standardization of investor information registration in the CDS in LankaSecure.
 - Implementation of an Electronic Trading (E-Treading) platform to promote the secondary market for Government securities.
 - Issuance of 20 year T-Bonds.
 - Fitch affirmed Sri Lanka's Foreign- and Local-Currency Issuer Default Rating (IDRs) at BB- with a "Stable" outlook in May 2012.
 - Moody's affirmed Sri Lanka's rating of B1 with a "Positive" outlook in November 2012.
 - S&P's affirmed Sri Lanka's rating of B+ with "Stable" outlook in December 2012.
- 2013
- Issuance of 30 years T-Bonds.

- Half-yearly T- Bond Primary Auction Calendar was published.
 - Conducted investor awareness programmes and investor meetings in Europe, East Asia including mainland China, and Middle East and in the USA.
 - Streamlined investor records in CDS by having unique identification numbers for each participant.
 - Commenced a Survey to identify investors who wish to receive the periodic statements in the electronic form instead of printed statements sent through mail.
 - Measures have been initiated to put in place an E-Trading Platform and a Central Counterparty arrangement by end 2015 for trading and settlement of domestic financial market transactions including the transactions in government securities.
 - Introduction of a new computer information system for foreign debt service payments to increase the efficiency of the foreign debt service payment process.
 - Simplification of Guidelines relating to investments in Government Securities by Foreign Investors, Sri Lankan Diaspora and Migrant Workforce under Securities Investment Account (SIA) in April 2013.
 - Issued the Direction on Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions of Primary Dealer Companies in May 2013.
 - PDs were permitted to act as market makers in corporate bonds or debentures and permitted to invest up to a limit of 5 per cent of total investments in quoted shares, quoted debentures or bonds and quoted commercial papers in July 2013.
 - Pan Asia Banking Corporation PLC was appointed as a PD in terms of the RSSO and the LTBO in August 2013.
 - Issued the Direction on Funds remaining unclaimed in the Customer Accounts maintained by the Dealer Direct Participants in September 2013.
 - The Hong Kong & Shanghai Banking Corporation Ltd. and Perpetual Treasuries Ltd. were appointed as PDs in terms of the RSSO and the LTBO in September 2013.
 - Customer Charter for PDs in Government securities was introduced in November 2013.
 - PDs were permitted to engage in covered Short Selling of T-bills and T-bonds up to the amount of successful bids accepted and confirmed at primary auctions in December 2013.
- 2014 - Issued USD 1,000 million 5 year International Sovereign Bond at a yield rate of 6.00 per cent.

- The Sri Lanka Development Bond (SLDB) issuance was authorized up to a limit of USD 750 million for 2014.
 - Issued USD 500 million 5 year International Sovereign Bond at a yield rate of 5.125 per cent.
 - Union Bank of Colombo PLC was appointed as a Primary Dealer in terms of the Registered Stock and Securities Ordinance and Local Treasury Bill Ordinance.
- 2015
- The SLDB issuance was authorized up to a limit of USD 1,500 million for 2015.
 - In addition to issuance of SLDBs at floating rate, issuance of SLDBs at fixed rates in different maturities was approved.
 - A ten year International Sovereign Bond was issued for US dollars 650 million at 6.125 per cent per annum.
 - SLDBs issuance limit was increased from USD 1,500 million to USD 2,500 million.
 - Multi-currency functionality in Lankasettle system was enabled to facilitate the scripless trading and recording of legal ownership of SLDBs, denominated in US dollar, with the objective to promote the secondary market for SLDBs.
 - Under the provision of the Local Treasury Bills Ordinance, the parliament granted approval for an increase in authorized limit of T-bills from Rs.850 billion to Rs.1, 250 billion.
 - The direction on minimum core capital requirement was revised, increasing the minimum unimpaired core capital to be maintained by the primary dealer companies from Rs. 300 million to Rs.1,000 million.
 - The direction on Capital Adequacy Ratio was revised, increasing the minimum Risk Weighted Capital Adequacy Ratio to be maintained by the primary dealer companies from 8 per cent to 10 per cent.
 - A 10 year International Sovereign Bond was issued for US dollars 1,500 million at 6.850 per cent per annum.
 - The threshold of investment in T-bills and T-bonds by foreigners reduced from 12.5 per cent to 10 per cent of the total outstanding stock of T-bills and T-bonds.

Glossary

Average Time to Maturity - Weighted average time to maturity of all the debt securities/loans in the debt portfolio.

Benchmark Bond - A bond that provides a standard against which the performance of other bonds can be measured. Government bonds are often used as benchmark bonds. This is also referred to as “benchmark issue”.

Bunching of Debt Stock - An excessive amount of debt maturing on a given date or within a given period of time.

Central Counterparty (CCP) - A central counterparty interposes itself between counterparties to contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer and thereby ensuring the performance of open contracts. A CCP becomes counterparty to trades with market participants through novation, an open-offer system, or through an analogous legally binding arrangement. CCPs have the potential to reduce significantly risks to participants through the multilateral netting of trades and by imposing more-effective risk controls on all participants and, as a result, they can reduce systemic risk in the markets they serve.

Central Depository - A computerized central system which records primary issuance of scripless securities and their trades taking place in the secondary market.

Coupon - The interest payment made to bond holders during the lifetime of the bond. Coupon payments are usually paid semi-annually. The annual amount of interest is equal to the principal value times the coupon rate.

Debt Sustainability - The level of debt which allows a debtor country to meet its current and future debt service obligations in full, without recourse to further debt relief or rescheduling, avoiding accumulation of arrears, while allowing an acceptable level of economic growth.

Duration - The weighted average maturity of the cash flows of a debt security/portfolio.

DVPIII - Simultaneous Net Settlement of Securities and Funds Transfers. These systems settle transfer instructions for both securities and funds on a net basis, with final transfer of both occurring at the end of the processing cycle. Settlement may occur once a day or several times a day.

E-Trading - It is an Information Technology enabled trading mechanisms which enables

traders to connect, place orders and conduct trading activities for a pre-determined tangible/intangible types of items.

Floating Rate Bond - A bond that has a variable coupon equal to a money market reference rate, like LIBOR plus a spread. The spread is a value that remains constant.

FinNet - Financial Information Network (FinNet) is a common interface to submit financial information by banks, finance companies, leasing companies and primary dealers.

Grace Period - Period of time provided for in a loan agreement for commencement of repayment of the loan.

Grant Element - A measure of concessionality of a loan, calculated as the difference between the face value of the loan and the sum of discounted future debt service payments to be made by the borrower expressed as a percentage of the face value of the loan.

Index Linked Bond - A bond, which pays a coupon that, varies according to some underlying Index usually the Consumer Price Index.

Intra-day liquidity - Funds, which can be accessed during a business day and settled on the same day, usually to enable financial institutions to make payments on real time.

LIBOR - The London Inter Bank Offered Rate. This rate is used as a reference rate by the international banking markets and is commonly the basis on which lending/borrowing margins are fixed.

Maturity - Refers to the date on which the issuer has promised to redeem the issue by paying the principal value. The number of days or years until the date of redemption is called the maturity period.

Novation - Replacement of a contract between the original counterparties with two new contracts; one between the buyer's clearing agent and the CCP, and another between the CCP and the seller's clearing agent.

Open Market Operations - The process of which the Central Bank buys or sells securities in the open market to control the volume of money (liquidity) or price of money (interest rates).

Outright Transactions - Transactions by which ownership (title) of the securities are transferred permanently to the buyer.

Parity Variance - Effect of the appreciation/depreciation of foreign currencies against the local currency on the existing foreign currency debt portfolio stated in the local currency

Primary Dealer - An intermediary appointed by the CBSL to deal in government securities.

Primary Market - Market where securities are first issued to buyers.

Repayment Period - The period during which the debt obligation is to be repaid.

Repurchase Transaction - A transaction involving a sale of securities with an agreement to reverse the transaction on a future date.

Risk Weighted Capital Adequacy Ratio - The

ratio computed by dividing available capital by the risk weighted assets.

Running Cost Ratio - The interest paid as a proportion of the outstanding debt stock at the beginning of the year.

Rupee Loan - A medium to long-term debt instrument issued with maturities more than two years on tap basis or as private placements by the CBSL on behalf of the government under the Registered Stock and Securities Ordinance. Interest rates of this instrument are determined administratively.

Scriptless Securities - Treasury bills and Treasury bonds issued in book entry form or as paperless securities.

Secondary Market - The market where securities are traded and exchanged among buyers and sellers after the securities are issued at the primary market.

Short Selling - The sale of an asset (a security/ stock, commodity futures contract, corporate or sovereign bond) that is not owned by the seller at the time of sale. Short selling are of two kinds, namely “Naked Short Selling and “Covered Short Selling” and “Naked Short Selling”.

Special Drawing Rights - The unit of account of the IMF of which the value is based on a basket of key international currencies.

Sovereign Bond - A debt security issued by a sovereign government denominated in domestic or a foreign currency. The foreign currency most likely is a hard currency.

Sovereign Credit Rating - Sovereign Credit Rating is an assessment of the credit worthiness of a country or sovereign entity. At the request of the country, a credit rating agency will evaluate the country’s economic and political environment to determine representative credit ratings.

Statutory Reserve Ratio - Percentage of deposits, which the commercial banks should keep with the central bank, through which the central bank can influence their credit creating ability.

Treasury Bill - A short-term debt instrument issued usually on a discount basis and for maturities of 91, 182, and 364 days by the CBSL on behalf of the government under the Local Treasury Bills Ordinance.

Treasury Bond - A medium to long-term debt instrument issued by the CBSL on behalf of the government under the Registered Stock and Securities Ordinance.

Yield - The coupon or discount when expressed as a percentage of the price.

Yield Curve - A graphical depiction of the relationship between the yield on the securities and different maturities.

Zero Coupon Bond - A bond that does not pay interest during the life of the bond. Instead, investors buy a zero coupon bond at a deep discount on the face value. The face value of the bond is paid at the maturity.

Statistical Appendix

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Definitions and Explanatory Notes

The following general notes supplement the footnotes given below the individual tables:

1. In an attempt to bring the material up-to-date provisional figures are included in some tables.
2. Figures in some tables have been rounded off to the nearest final digit. Hence there may be slight discrepancy between the total as shown and the sum of its components.
3. Differences as compared with previously published figures are due to subsequent revisions.
4. Values indicated within parenthesis are negative values.
5. The following symbols have been used throughout:-
 - n.a. = not available
 - = nil
 - ... = negligible
6. PD industry financial indicators for 2012 have been adjusted to represent the audited figures.
7. PD industry figures have been adjusted to accommodate the change for exempting LCBs from the requirements on RWCAF with effect from 14.02.2013. Therefore, adjusted figures for the capital requirement represent only the ‘Standalone PDs’. This change has been applied for all past years as well.

CENTRAL GOVERNMENT DEBT

TABLE 1

CENTRAL GOVERNMENT DEBT

Rs. million

| Year ^(a) | Domestic debt | | | | | Foreign Debt (b,c) | Total Debt | As a % of GDP ^(d) | | |
|-------------------------|-------------------------------|-------------|-----------------------|---------|-----------|-----------------------|---------------|------------------------------|---------|-------|
| | Treasury bills ^(b) | Rupee loans | Treasury bonds (c) | Other | Total | | | Domestic | Foreign | Total |
| 1951 | 30 | 582 | - | 14 | 626 | 125 | 751 | 13.6 | 2.7 | 16.3 |
| 1952 | 93 | 684 | - | 75 | 852 | 192 | 1,044 | 18.9 | 4.3 | 23.2 |
| 1953 | 184 | 731 | - | 129 | 1,044 | 205 | 1,249 | 23.2 | 4.6 | 27.8 |
| 1954 | 105 | 782 | - | 66 | 953 | 211 | 1,164 | 20.1 | 4.4 | 24.5 |
| 1955 | 60 | 829 | - | - | 889 | 232 | 1,121 | 17.0 | 4.4 | 21.4 |
| 1956 | 68 | 882 | - | - | 950 | 258 | 1,208 | 18.6 | 5.1 | 23.7 |
| 1957 | 65 | 962 | - | 105 | 1,132 | 278 | 1,410 | 21.8 | 5.3 | 27.1 |
| 1958 | 140 | 1,007 | - | 91 | 1,238 | 293 | 1,531 | 22.5 | 5.3 | 27.9 |
| 1959 | 320 | 1,102 | - | 138 | 1,560 | 307 | 1,867 | 24.3 | 4.8 | 29.1 |
| 1960 | 550 | 1,217 | - | 170 | 1,937 | 345 | 2,282 | 28.9 | 5.1 | 34.0 |
| 1961 | 750 | 1,397 | - | 198 | 2,345 | 407 | 2,752 | 34.1 | 5.9 | 40.0 |
| 1962 | 1,000 | 1,515 | - | 179 | 2,694 | 412 | 3,106 | 38.7 | 5.9 | 44.6 |
| 1963 | 1,125 | 1,684 | - | 222 | 3,031 | 489 | 3,520 | 41.1 | 6.6 | 47.7 |
| 1964 | 1,250 | 1,909 | - | 216 | 3,375 | 549 | 3,924 | 43.3 | 7.0 | 50.3 |
| 1965 | 1,300 | 2,150 | - | 246 | 3,696 | 739 | 4,435 | 45.7 | 9.1 | 54.9 |
| 1966 | 1,425 | 2,475 | - | 295 | 4,195 | 1,074 | 5,269 | 50.3 | 12.9 | 63.2 |
| 1967 | 1,500 | 2,785 | - | 298 | 4,583 | 1,376 | 5,959 | 50.7 | 15.2 | 65.9 |
| 1968 | 1,750 | 3,118 | - | 329 | 5,197 | 1,578 | 6,775 | 48.5 | 14.7 | 63.2 |
| 1969 | 1,750 | 3,409 | - | 354 | 5,513 | 1,800 | 7,313 | 47.1 | 15.4 | 62.5 |
| 1970 | 1,950 | 3,925 | - | 420 | 6,295 | 2,394 | 8,689 | 46.1 | 17.5 | 63.6 |
| 1971 | 2,025 | 4,512 | - | 446 | 6,983 | 2,795 | 9,778 | 49.7 | 19.9 | 69.6 |
| 1972 | 2,325 | 5,103 | - | 498 | 7,926 | 2,936 | 10,862 | 52.0 | 19.3 | 71.2 |
| 1973 | 2,250 | 5,812 | - | 522 | 8,584 | 3,705 | 12,289 | 46.6 | 20.1 | 66.8 |
| 1974 | 2,250 | 6,591 | - | 604 | 9,445 | 2,859 | 12,304 | 39.7 | 12.0 | 51.8 |
| 1975 | 2,350 | 7,560 | - | 949 | 10,859 | 3,705 | 14,564 | 40.9 | 13.9 | 54.8 |
| 1976 | 2,700 | 9,001 | - | 990 | 12,691 | 4,968 | 17,659 | 42.0 | 16.4 | 58.5 |
| 1977 | 2,500 | 10,391 | - | 1,501 | 14,392 | 10,593 | 24,985 | 39.5 | 29.1 | 68.6 |
| 1978 | 2,635 | 12,049 | - | 1,684 | 16,368 | 14,583 | 30,951 | 38.4 | 34.2 | 72.5 |
| 1979 | 3,000 | 14,929 | - | 1,705 | 19,634 | 15,840 | 35,474 | 37.5 | 30.2 | 67.7 |
| 1980 | 9,800 | 17,611 | - | 1,659 | 29,070 | 22,276 | 51,346 | 43.7 | 33.5 | 77.2 |
| 1981 | 13,920 | 20,025 | - | 1,573 | 35,518 | 29,172 | 64,690 | 41.8 | 34.3 | 76.1 |
| 1982 | 17,320 | 25,800 | - | 2,147 | 45,267 | 35,267 | 80,534 | 45.6 | 35.5 | 81.1 |
| 1983 | 17,400 | 31,953 | - | 2,416 | 51,769 | 46,688 | 98,457 | 42.6 | 38.4 | 81.0 |
| 1984 | 14,860 | 33,228 | - | 3,564 | 51,652 | 53,681 | 105,333 | 33.6 | 34.9 | 68.5 |
| 1985 | 22,280 | 36,570 | - | 3,761 | 62,611 | 67,673 | 130,284 | 38.6 | 41.7 | 80.3 |
| 1986 | 26,173 | 39,130 | - | 4,196 | 69,499 | 86,208 | 155,707 | 38.7 | 48.0 | 86.8 |
| 1987 | 29,850 | 44,957 | - | 4,190 | 78,997 | 111,812 | 190,809 | 40.2 | 56.8 | 97.0 |
| 1988 | 43,700 | 49,797 | - | 5,099 | 98,596 | 125,657 | 224,253 | 44.4 | 56.6 | 101.0 |
| 1989 | 57,246 | 54,217 | - | 6,099 | 117,562 | 156,298 | 273,860 | 46.7 | 62.0 | 108.7 |
| 1990 | 67,968 | 54,677 | - | 11,251 | 133,896 | 176,883 | 310,779 | 41.6 | 55.0 | 96.6 |
| 1991 | 72,968 | 66,823 | - | 12,328 | 152,119 | 214,579 | 366,698 | 40.9 | 57.6 | 98.5 |
| 1992 | 87,096 | 69,180 | - | 13,744 | 170,020 | 235,539 | 405,559 | 40.0 | 55.4 | 95.4 |
| 1993 | 97,196 | 105,707 | - | 10,782 | 213,685 | 270,224 | 483,909 | 42.8 | 54.1 | 96.9 |
| 1994 | 98,896 | 137,554 | - | 12,669 | 249,119 | 301,812 | 550,931 | 43.0 | 52.1 | 95.1 |
| 1995 | 113,771 | 157,928 | - | 17,711 | 289,410 | 346,286 | 635,696 | 43.3 | 51.9 | 95.2 |
| 1996 | 124,996 | 205,975 | - | 25,731 | 356,702 | 359,685 | 716,387 | 46.4 | 46.8 | 93.2 |
| 1997 | 114,996 | 239,475 | 10,000 | 23,269 | 387,740 | 376,331 | 764,071 | 43.5 | 42.3 | 85.8 |
| 1998 | 119,996 | 250,570 | 48,915 | 43,945 | 463,426 | 461,273 | 924,699 | 45.5 | 45.3 | 90.8 |
| 1999 | 124,996 | 262,056 | 104,867 | 51,546 | 543,465 | 507,866 | 1,051,331 | 49.1 | 45.9 | 95.0 |
| 2000 | 134,996 | 263,888 | 204,124 | 73,652 | 676,660 | 542,040 | 1,218,700 | 53.8 | 43.1 | 96.9 |
| 2001 | 170,995 | 292,813 | 229,174 | 122,983 | 815,965 | 636,741 | 1,452,706 | 58.0 | 45.3 | 103.3 |
| 2002 | 210,995 | 287,701 | 347,128 | 102,562 | 948,386 | 721,956 | 1,670,343 | 60.0 | 45.6 | 105.6 |
| 2003 | 219,295 | 248,414 | 483,107 | 69,153 | 1,019,969 | 843,882 | 1,863,851 | 56.0 | 46.3 | 102.3 |
| 2004 | 243,886 | 164,758 | 643,349 | 91,396 | 1,143,389 | 996,138 | 2,139,527 | 54.7 | 47.6 | 102.3 |
| 2005 | 234,174 | 140,563 | 751,569 | 139,416 | 1,265,722 | 956,621 | 2,222,342 | 51.6 | 39.0 | 90.6 |
| 2006 | 257,732 | 116,713 | 885,972 | 218,813 | 1,479,230 | 1,103,418 | 2,582,648 | 50.3 | 37.5 | 87.9 |
| 2007 | 307,012 | 131,509 | 1,018,852 | 257,825 | 1,715,198 | 1,326,487 | 3,041,685 | 47.9 | 37.1 | 85.0 |
| 2008 | 402,600 | 130,009 | 1,281,978 | 325,641 | 2,140,228 | 1,448,734 | 3,588,962 | 48.5 | 32.8 | 81.4 |
| 2009 | 441,032 | 112,292 | 1,513,512 | 334,120 | 2,400,955 | 1,760,467 | 4,161,422 | 49.8 | 36.5 | 86.2 |
| 2010 | 514,442 | 87,709 | 1,643,887 | 319,624 | 2,565,662 | 2,024,583 | 4,590,245 | 40.0 | 31.6 | 71.6 |
| 2011 | 590,885 | 61,961 | 1,819,251 | 331,988 | 2,804,085 | 2,329,280 | 5,133,365 | 38.8 | 32.3 | 71.1 |
| 2012 | 629,070 | 58,386 | 2,095,054 | 450,304 | 3,232,813 | 2,767,299 | 6,000,112 | 37.0 | 31.7 | 68.7 |
| 2013 | 700,137 | 55,518 | 2,452,360 | 624,811 | 3,832,825 | 2,960,424 | 6,793,249 | 40.0 | 30.9 | 70.8 |
| 2014 ^(e) | 694,767 | 55,518 | 2,844,054 | 683,444 | 4,277,783 | 3,113,116 | 7,390,899 | 40.9 | 29.8 | 70.7 |
| 2015 ^{(f) (g)} | 658,240 | 24,088 | 3,305,248 | 971,620 | 4,959,196 | 3,544,031 | 8,503,227 | 44.3 | 31.7 | 76.0 |

Sources: Central Bank of Sri Lanka

Department of Census and Statistics

(a) From 1950 to 1973, outstanding position as at end September and since then as at end December.

(b) Rupee denominated Treasury bills issued to foreign investors from 2008 and to the Sri Lankan diaspora and migrant workers from 2009 are excluded from domestic debt and included in foreign debt.

(c) Rupee denominated Treasury bonds issued to foreign investors from 2007 and to the Sri Lankan diaspora and migrant workers from 2009 are excluded from domestic debt

(d) From 2003, based on GDP estimates by the Department of Census and Statistics.

(e) Revised

(f) Provisional.

(g) Excludes government bonds of Rs. 4,397 million issued to CWE in 2003, Rs. 78,441 million issued to CPC in January 2012 and Rs. 13,125 million issued to Sri Lankan Airlines in March 2013.

OUTSTANDING CENTRAL GOVERNMENT DEBT AS AT END YEAR

Rs million

| Item | 2011 | 2012 | 2013 | 2014 | 2015 Provisional |
|---|------------------|------------------|------------------|------------------|---------------------|
| Total Domestic Debt | 2,804,085 | 3,232,813 | 3,832,825 | 4,277,783 | 4,959,196 |
| By Maturity | | | | | |
| Short-Term | 698,190 | 813,273 | 909,156 | 941,162 | 913,291 |
| Treasury bills ^(a) | 590,885 | 629,070 | 700,137 | 694,767 | 658,240 |
| Provisional advances from the Central Bank | 94,743 | 111,292 | 109,167 | 143,898 | 151,132 |
| Import bills held by commercial banks | 11,479 | 18,340 | 23,960 | 25,542 | 4 |
| Other liabilities to the banking sector net of bank | 150 | 53,638 | 61,959 | 76,386 | 103,345 |
| Other (Administrative Borrowing) | 933 | 933 | 13,933 | 570 | 570 |
| Medium and Long-term | 2,105,895 | 2,419,541 | 2,923,670 | 3,336,620 | 4,045,905 |
| Rupee loans | 61,961 | 58,386 | 55,518 | 55,518 | 24,088 |
| Treasury bonds ^(b) | 1,819,251 | 2,095,054 | 2,452,360 | 2,844,054 | 3,305,248 |
| Sri Lanka Development Bonds | 183,845 | 222,994 | 369,215 | 391,083 | 668,458 |
| | 40,838 | 43,107 | 46,577 | 45,966 | 48,111 |
| By Debt Instrument | 2,804,085 | 3,232,813 | 3,832,825 | 4,277,783 | 4,959,196 |
| Rupee loans | 61,961 | 58,386 | 55,518 | 55,518 | 24,088 |
| Treasury bills ^(a) | 590,885 | 629,070 | 700,137 | 694,767 | 658,240 |
| Treasury bonds ^(b) | 1,819,251 | 2,095,054 | 2,452,360 | 2,844,054 | 3,305,248 |
| Sri Lanka Development Bonds | 183,845 | 222,994 | 369,215 | 391,083 | 668,458 |
| Provisional advances | 94,743 | 111,292 | 109,167 | 143,898 | 151,132 |
| Other | 53,400 | 116,017 | 146,429 | 148,463 | 152,031 |
| By Institution | 2,804,085 | 3,232,813 | 3,832,825 | 4,277,783 | 4,959,196 |
| Banks | 886,221 | 1,060,317 | 1,433,773 | 1,669,882 | 1,924,036 |
| Central Bank | | | | | |
| By debt instrument | 263,329 | 265,198 | 112,396 | 267,676 | 256,050 |
| Treasury bills ^(a) | 169,797 | 154,005 | 3,053 | 123,496 | 104,754 |
| Treasury bonds ^(b) | - | - | - | - | - |
| Provisional advances | 94,743 | 111,292 | 109,167 | 143,898 | 151,132 |
| Other | (1,210) | (99) | 176 | 282 | 164 |
| Commercial Banks | | | | | |
| By debt instrument | 622,892 | 795,119 | 1,321,377 | 1,402,206 | 1,667,986 |
| Rupee loans | 16,234 | 15,870 | 15,870 | 15,870 | 15,870 |
| Treasury bills ^(a) | 185,756 | 219,748 | 443,951 | 278,296 | 340,664 |
| Treasury bonds ^(b) | 206,547 | 244,770 | 386,398 | 595,067 | 517,614 |
| Sri Lanka Development Bonds | 183,845 | 222,994 | 369,215 | 391,083 | 668,458 |
| Other | 30,511 | 91,737 | 105,943 | 121,890 | 125,382 |
| Non bank sector | | | | | |
| By debt instrument | 1,917,864 | 2,172,496 | 2,399,053 | 2,607,901 | 3,035,160 |
| Rupee loans | 45,727 | 42,516 | 39,648 | 39,648 | 8,218 |
| Treasury bills ^(a) | 235,333 | 255,317 | 253,133 | 292,975 | 212,822 |
| Treasury bonds ^(b) | 1,612,704 | 1,850,284 | 2,065,962 | 2,248,987 | 2,787,635 |
| Other | 24,100 | 24,379 | 40,310 | 26,291 | 26,485 |
| By institution | 1,917,864 | 2,172,496 | 2,399,053 | 2,607,901 | 3,035,160 |
| National Savings Bank | 314,319 | 330,150 | 358,243 | 379,877 | 428,236 |
| Employees' Provident Fund | 950,474 | 1,173,870 | 1,393,458 | 441,106 | 592,220 |
| Other | 653,071 | 668,476 | 647,352 | 1,786,918 | 2,014,704 |
| Total Foreign Debt | 2,329,280 | 2,767,300 | 2,960,424 | 3,113,116 | 3,544,031 |
| By Type | 2,329,280 | 2,767,300 | 2,960,424 | 3,113,116 | 3,544,031 |
| Project Loans | 1,640,117 | 1,846,772 | 1,938,909 | 1,904,599 | 2,180,388 |
| Non-Project Loans | 689,163 | 920,527 | 1,021,515 | 1,208,516 | 1,363,642 |
| Commodity | 53,460 | 56,599 | 61,597 | 69,993 | 71,470 |
| Other ^(c) | 635,703 | 863,928 | 959,918 | 1,138,523 | 1,292,173 |
| By Institution | 2,329,280 | 2,767,300 | 2,960,424 | 2,845,626 | 3,190,491 |
| Concessional Loans | 1,328,797 | 1,369,568 | 1,492,842 | 1,223,489 | 1,376,355 |
| Multi-lateral | 624,634 | 670,692 | 716,792 | 704,044 | 794,485 |
| Bi-lateral | 704,163 | 698,876 | 776,050 | 519,445 | 581,870 |
| Non-Concessional Loans | 235,923 | 455,069 | 460,475 | 457,668 | 507,046 |
| Multi-lateral | 97,282 | 173,600 | 186,748 | 183,916 | 199,945 |
| Bi-lateral | 138,642 | 281,469 | 273,727 | 273,751 | 307,101 |
| Commercial Loans | 764,560 | 942,663 | 1,007,106 | 1,164,470 | 1,307,090 |
| International Sovereign bonds | 341,704 | 445,063 | 457,636 | 655,243 | 958,014 |
| Non-resident investments in Treasury bills | 70,123 | 80,184 | 73,916 | 55,500 | 5,045 |
| Non-resident investments in Treasury bonds | 199,531 | 317,604 | 403,486 | 401,710 | 298,734 |
| Other ^(c) | 153,202 | 99,812 | 72,070 | 52,017 | 45,296 |
| Total Outstanding Government Debt | 5,133,365 | 6,000,113 | 6,793,249 | 7,390,899 | 8,503,227 |

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Excludes Treasury bills held by non-residents.

(b) Excludes government Treasury bonds of Rs. 4,397 million, Rs.78,441 million, Rs. 13,125 million issued to CWE,CPC, Sri Lankan Airlines respectively and Treasury bonds held by non-residents.

(c) Includes outstanding defence loans.

COMPOSITION OF OUTSTANDING CENTRAL GOVERNMENT DEBT AS AT END YEAR

Rs.million

| Source | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 ^(a) |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------|
| 1. Foreign Debt | 1,103,418 | 1,326,487 | 1,448,734 | 1,760,467 | 2,024,583 | 2,329,280 | 2,767,299 | 2,960,424 | 3,113,116 | 3,544,031 |
| 1.1 Project Loans ^(b) (c) | 978,356 | 1,087,359 | 1,261,304 | 1,362,806 | 1,461,729 | 1,640,117 | 1,846,772 | 1,938,909 | 1,904,599 | 2,180,388 |
| 1.2 Non -Project Loans | 125,062 | 239,128 | 187,430 | 397,661 | 562,854 | 689,163 | 920,527 | 1,021,515 | 1,208,516 | 1,363,642 |
| Commodity ^(c) | 69,021 | 68,665 | 66,499 | 62,304 | 54,653 | 53,460 | 56,599 | 61,597 | 69,993 | 71,470 |
| Other ^(d) | 56,041 | 170,463 | 120,931 | 335,357 | 508,201 | 635,703 | 863,928 | 959,918 | 1,138,523 | 1,292,173 |
| 2. Domestic Debt | 1,479,230 | 1,715,198 | 2,140,228 | 2,400,955 | 2,565,662 | 2,804,085 | 3,232,813 | 3,832,825 | 4,277,783 | 4,959,196 |
| 2.1 Rupee loans | 116,713 | 131,509 | 130,009 | 112,292 | 87,709 | 61,961 | 58,386 | 55,518 | 55,518 | 24,088 |
| 2.2 Treasury bills ^(e) | 257,732 | 307,012 | 402,600 | 441,032 | 514,442 | 590,885 | 629,070 | 700,137 | 694,767 | 658,240 |
| 2.3 Treasury bonds ^(f) | 885,972 | 1,018,852 | 1,281,978 | 1,513,512 | 1,643,887 | 1,819,251 | 2,095,054 | 2,452,360 | 2,844,054 | 3,305,248 |
| 2.4 Sri Lanka Development Bonds | 62,469 | 86,459 | 158,805 | 168,079 | 173,877 | 183,845 | 222,994 | 369,215 | 391,083 | 668,458 |
| 2.5 Central Bank Advances ^(g) | 49,015 | 60,679 | 76,308 | 73,881 | 77,879 | 94,743 | 111,292 | 109,167 | 143,898 | 151,132 |
| 2.6 Other ^(h) | 107,329 | 110,686 | 90,528 | 92,160 | 67,869 | 53,400 | 116,017 | 146,429 | 148,463 | 152,031 |
| Total | 2,582,648 | 3,041,685 | 3,588,962 | 4,161,422 | 4,590,245 | 5,813,074 | 6,000,112 | 6,793,249 | 7,390,899 | 8,503,227 |

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Provisional

(b) Represents the amounts withdrawn and outstanding on the loans contracted with the IBRD, USA, Canada, Denmark, People's Republic of China, Germany, UK, India, IDA, ADB,

(c) Represents the amounts withdrawn and outstanding on the loans contracted with the USA, Canada, Germany, Japan, France, India, Italy, Pakistan and Netherlands.

(d) Includes cash loans received from the ADB, USA, China, Germany, Japan, OPEC, outstanding defence deferred loans, Treasury bonds and Treasury bills held by non-residents and sovereign bond issues.

(e) Excludes outstanding Treasury bills issued to non-residence.

(f) Excludes government Treasury bonds of Rs. 4,397 million, Rs.78,441 million, Rs. 13,125 million issued to CWE,CPC, Sri Lankan Airlines respectively and Treasury bonds held by non-residents.

(g) Excludes contributions to international financial organizations.

(h) Includes administrative borrowings arising from foreign loans channeled through government or semi - government agencies and outstanding balance of borrowing from

CENTRAL GOVERNMENT DEBT

OWNERSHIP OF OUTSTANDING CENTRAL GOVERNMENT DEBT AS AT END YEAR

Rs.million

| Owner | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 ^(a) |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------|
| 1. Domestic Debt^(b) | 1,479,230 | 1,715,198 | 2,140,228 | 2,400,955 | 2,565,662 | 2,804,085 | 3,232,813 | 3,832,825 | 4,277,783 | 4,959,196 |
| 1.1 Banking Sector | 395,470 | 415,318 | 657,425 | 705,766 | 691,716 | 886,221 | 1,060,317 | 1,433,773 | 1,669,882 | 1,924,036 |
| Central Bank | 117,624 | 104,817 | 239,248 | 109,593 | 78,376 | 263,329 | 265,198 | 112,396 | 267,676 | 256,050 |
| Commercial Banks | 277,846 | 310,501 | 418,177 | 596,172 | 613,340 | 622,892 | 795,119 | 1,321,377 | 1,402,206 | 1,667,986 |
| 1.2 Non Bank Sector | 1,083,760 | 1,299,879 | 1,482,804 | 1,695,189 | 1,873,945 | 1,917,864 | 2,172,495 | 2,399,053 | 2,607,900 | 3,035,160 |
| Market Borrowings | 1,069,577 | 1,289,688 | 1,478,553 | 1,685,638 | 1,866,267 | 1,916,930 | 2,171,562 | 2,385,120 | 2,607,330 | 3,034,590 |
| Savings Institutions | 166,457 | 192,413 | 204,067 | 257,084 | 286,514 | 314,319 | 330,150 | 358,243 | 379,877 | 428,236 |
| Insurance Funds | 13,234 | 21,012 | 25,976 | 34,490 | 32,839 | 34,356 | 33,768 | 30,849 | 30,536 | 42,036 |
| Provident and Pension | 480,731 | 595,807 | 698,192 | 835,402 | 884,279 | 959,303 | 1,204,729 | 1,428,534 | 1,474,560 | 1,655,336 |
| Official Fund ^(d) | 95,988 | 107,480 | 107,234 | 132,485 | 167,374 | 161,568 | 178,900 | 202,118 | 221,584 | 252,615 |
| Private Business | 313,166 | 372,976 | 443,084 | 426,177 | 495,261 | 447,385 | 424,015 | 365,376 | 500,773 | 656,367 |
| Non Market Borrowings | 14,183 | 10,191 | 4,251 | 9,551 | 7,678 | 933 | 933 | 13,933 | 570 | 570 |
| 2. Foreign Debt | 1,103,418 | 1,326,487 | 1,448,734 | 1,760,467 | 2,329,280 | 2,329,280 | 2,767,299 | 2,960,424 | 3,113,116 | 3,544,031 |
| Total | 2,582,648 | 3,041,685 | 3,588,962 | 4,161,422 | 4,894,942 | 5,133,365 | 6,000,112 | 6,793,249 | 7,390,899 | 8,503,227 |

Sources: Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Provisional.

(b) Excludes government bonds of Rs. 4,397 million issued to CWE in 2003, Rs.78,441 million issued to CPC in January 2012 and Rs. 13,125 million issued to Sri Lankan Airlines in March 2013.

(c) Trusts, Benevolent, Pension and Provident Funds and Employees Provident Fund.

(d) The Central Government, Local Authorities, State Corporations, Departmental and other official funds.

(e) Includes the value of Treasury Certificates of Deposits.

DETAILS OF OUTSTANDING TREASURY BONDS AS AT END 2015 ^(a)

Rs.million

| Maturity Date | Issue Date | Series | ISIN | Face Value |
|---------------|------------|-------------|--------------|--------------------|
| 4/1/2016 | 4/1/2010 | 07.25%2016A | LKB00616D012 | 82,577.1 |
| 6/1/2016 | 6/1/2011 | 08.00%2016B | LKB00516F019 | 64,263.8 |
| 8/1/2016 | 8/1/2010 | 06.40%2016A | LKB00616H013 | 79,771.2 |
| 9/1/2016 | 9/1/2011 | 08.00%2016A | LKB00516I013 | 44,444.1 |
| 10/1/2016 | 10/1/2010 | 06.40%2016B | LKB00616J019 | 34,533.0 |
| 11/10/2016 | 11/10/2003 | 00.00%2016A | LKC01316K103 | 4,397.0 |
| 1/1/2017 | 1/1/2012 | 08.00%2017A | LKB00517A018 | 72,807.4 |
| 1/15/2017 | 1/15/2011 | 05.80%2017A | LKB00617A156 | 52,490.9 |
| 3/1/2017 | 3/1/2014 | 08.25%2017A | LKB00317C019 | 63,839.6 |
| 5/15/2017 | 11/15/2013 | 08.75%2017A | LKB00417E153 | 97,131.7 |
| 6/15/2017 | 6/15/2012 | 08.00%2017B | LKB00517F157 | 46,569.5 |
| 7/15/2017 | 7/15/2011 | 05.80%2017B | LKB00617G153 | 82,084.1 |
| 2/1/2018 | 2/1/2003 | 08.50%2018A | LKB01518B013 | 80,919.1 |
| 4/1/2018 | 4/1/2012 | 08.50%2018C | LKB00618D018 | 92,414.2 |
| 6/1/2018 | 6/1/2012 | 08.50%2018D | LKB00618F013 | 90,826.5 |
| 7/15/2018 | 7/15/2003 | 08.50%2018B | LKB01518G152 | 90,715.7 |
| 8/15/2018 | 8/15/2003 | 07.50%2018A | LKB01518H150 | 97,845.5 |
| 10/15/2018 | 10/15/2014 | 08.75%2018A | LKB00418J150 | 4,670.0 |
| 11/15/2018 | 11/15/2011 | 08.00%2018A | LKB00718K151 | 65,846.0 |
| 1/15/2019 | 1/15/2011 | 05.65%2019A | LKB00819A158 | 32,244.5 |
| 5/1/2019 | 5/1/2009 | 08.50%2019A | LKB01019E016 | 82,174.6 |
| 7/1/2019 | 7/1/2013 | 10.60%2019A | LKB00619G019 | 104,578.2 |
| 9/15/2019 | 9/15/2013 | 10.60%2019B | LKB00619I155 | 95,584.6 |
| 11/1/2019 | 11/1/2011 | 08.00%2019A | LKB00819K017 | 55,851.1 |
| 5/1/2020 | 5/1/2015 | 09.25%2020A | LKB00520E014 | 60,181.0 |
| 6/1/2020 | 6/1/2012 | 08.00%2020A | LKB00820F015 | 33,896.1 |
| 8/1/2020 | 8/1/2010 | 06.20%2020A | LKB01020H017 | 71,515.9 |
| 12/15/2020 | 12/15/2015 | 09.50%2020A | LKB00520L159 | 53,450.0 |
| 5/1/2021 | 5/1/2012 | 09.00%2021A | LKB00921E014 | 75,778.1 |
| 8/1/2021 | 8/1/2013 | 11.00%2021A | LKB00821H019 | 71,752.1 |
| 10/15/2021 | 10/15/2014 | 09.45%2021A | LKB00721J157 | 7,615.0 |
| 1/1/2022 | 1/1/2012 | 08.00%2022A | LKB01022A018 | 97,934.2 |
| 7/1/2022 | 7/1/2013 | 11.20%2022A | LKB00922G017 | 103,772.1 |
| 10/1/2022 | 10/1/2013 | 10.00%2022A | LKB00922J011 | 77,108.4 |
| 9/1/2023 | 9/1/2013 | 11.20%2023A | LKB01023I019 | 94,188.3 |
| 9/1/2023 | 9/1/2012 | 09.00%2023A | LKB01123I017 | 22,428.0 |
| 10/1/2023 | 10/1/2003 | 07.00%2023A | LKB02023J016 | 67,366.0 |
| 1/1/2024 | 1/1/2014 | 11.40%2024A | LKB01024A014 | 66,831.8 |
| 12/1/2024 | 12/1/2014 | 06.00%2024A | LKB01024L011 | 7,000.0 |
| 3/15/2025 | 3/15/2015 | 10.25%2025A | LKB01025C157 | 53,250.0 |
| 5/1/2025 | 5/1/2013 | 09.00%2025A | LKB01225E019 | 16,986.9 |
| 8/1/2025 | 8/1/2015 | 11.00%2025A | LKB01025H016 | 41,145.0 |
| 2/1/2026 | 2/1/2012 | 09.00%2026A | LKB01326B011 | 21,050.0 |
| 3/1/2026 | 3/1/2011 | 05.35%2026A | LKB01526C014 | 90,586.0 |
| 6/1/2026 | 6/1/2014 | 11.00%2026A | LKB01226F014 | 39,977.2 |
| 5/1/2028 | 5/1/2013 | 09.00%2028B | LKB01528E016 | 92,783.7 |
| 7/1/2028 | 7/1/2012 | 09.00%2028A | LKB01628G019 | 94,571.2 |
| 9/1/2028 | 9/1/2013 | 11.50%2028A | LKB01528I017 | 23,424.0 |
| 1/1/2029 | 1/1/2014 | 13.00%2029A | LKB01529A012 | 83,087.5 |
| 5/1/2029 | 5/1/2014 | 13.00%2029B | LKB01529E014 | 21,785.3 |
| 5/15/2030 | 5/15/2015 | 11.00%2030A | LKB01530E152 | 27,437.0 |
| 1/1/2032 | 1/1/2012 | 08.00%2032A | LKB02032A016 | 99,070.5 |
| 10/1/2032 | 10/1/2012 | 09.00%2032A | LKB02032J017 | 35,294.9 |
| 6/1/2033 | 6/1/2013 | 09.00%2033A | LKB02033F013 | 101,455.9 |
| 7/1/2033 | 7/1/2013 | 13.25%2033A | LKB02033G011 | 23,511.8 |
| 11/1/2033 | 11/1/2013 | 09.00%2033B | LKB02033K013 | 20,008.8 |
| 1/1/2034 | 1/1/2014 | 13.25%2034A | LKB02034A012 | 77,859.0 |
| 3/15/2035 | 3/15/2015 | 11.50%2035A | LKB02035C155 | 74,565.0 |
| 6/1/2043 | 6/1/2013 | 09.00%2043A | LKB03043F011 | 33,809.3 |
| 1/1/2044 | 1/1/2014 | 13.50%2044A | LKB03044A010 | 10,969.9 |
| 6/1/2044 | 6/1/2014 | 13.50%2044B | LKB03044F019 | 77,861.8 |
| 3/1/2045 | 3/1/2015 | 12.50%2045A | LKB03045C013 | 10,058.0 |
| Total | | 62 | | 3,699,944.9 |

Source: Central Bank of Sri Lanka

(a) Includes Treasury bonds held by non-residence and Treasury bonds of Rs. 4,397million, Rs. 78,441 million and Rs. 13,125million issued for CWE, CPC and Sri Lankan Air Lines respectively .

DOMESTIC DEBT

TABLE 6

DETAILS OF OUTSTANDING SRI LANKA DEVELOPMENT BONDS AS AT END 2015

USD million

| Maturity Date | Issue Date | Series | ISIN | Face Value ₨ |
|---------------|------------|-----------|--------------|---------------|
| 6/30/2016 | 6/30/2011 | SLDB2016B | LKG00516F303 | 25.0 |
| 6/30/2016 | 7/1/2013 | SLDB2016B | LKG00516F303 | 90.0 |
| 6/30/2016 | 7/15/2013 | SLDB2016B | LKG00516F303 | 30.0 |
| 6/30/2016 | 6/1/2015 | SLDB2016B | LKG00516F303 | 329.0 |
| 8/18/2016 | 8/18/2011 | SLDB2016C | LKG00516H184 | 55.0 |
| 8/18/2016 | 11/26/2013 | SLDB2016C | LKG00516H184 | 16.0 |
| 8/18/2016 | 10/30/2014 | SLDB2016C | LKG00516H184 | 70.0 |
| 8/18/2016 | 7/15/2015 | SLDB2016C | LKG00516H184 | 291.0 |
| 3/26/2016 | 3/26/2012 | SLDB2016D | LKG00416C261 | 12.0 |
| 3/26/2016 | 2/22/2013 | SLDB2016E | LKG00316C263 | 159.1 |
| 3/26/2016 | 3/27/2013 | SLDB2016E | LKG00316C263 | 129.0 |
| 3/26/2016 | 8/30/2013 | SLDB2016E | LKG00316C263 | 11.0 |
| 3/26/2016 | 2/25/2015 | SLDB2016E | LKG00316C263 | 35.0 |
| 3/26/2016 | 2/26/2015 | SLDB2016E | LKG00316C263 | 10.0 |
| 1/21/2016 | 1/21/2015 | SLDB2016F | LKG00116A212 | 250.0 |
| 2/26/2016 | 1/26/2015 | SLDB2016G | LKG00216B267 | 50.0 |
| 11/1/2016 | 8/3/2015 | SLDB2016H | LKG00216K011 | 110.0 |
| 10/19/2016 | 10/19/2015 | SLDB2016I | LKG00116J197 | 277.5 |
| 3/17/2017 | 3/17/2014 | SLDB2017A | LKG00317C170 | 192.0 |
| 3/17/2017 | 8/18/2015 | SLDB2017A | LKG00317C170 | 78.1 |
| 6/30/2017 | 6/30/2014 | SLDB2017B | LKG00317F306 | 199.5 |
| 6/30/2017 | 7/1/2014 | SLDB2017B | LKG00317F306 | 45.0 |
| 6/30/2017 | 8/20/2014 | SLDB2017B | LKG00317F306 | 15.0 |
| 6/30/2017 | 12/12/2014 | SLDB2017B | LKG00317F306 | 5.0 |
| 4/30/2017 | 4/30/2015 | SLDB2017D | LKG00217D303 | 30.0 |
| 4/30/2017 | 6/29/2015 | SLDB2017D | LKG00217D303 | 255.0 |
| 8/1/2017 | 8/3/2015 | SLDB2017E | LKG00217H015 | 55.3 |
| 7/1/2018 | 7/1/2013 | SLDB2018A | LKG00518G018 | 167.0 |
| 7/1/2018 | 7/15/2013 | SLDB2018A | LKG00518G018 | 643.1 |
| 7/1/2018 | 6/2/2014 | SLDB2018A | LKG00518G018 | 15.0 |
| 9/17/2018 | 9/18/2013 | SLDB2018B | LKG00518I188 | 375.0 |
| 1/21/2018 | 1/21/2015 | SLDB2018C | LKG00318A214 | 55.0 |
| 1/21/2018 | 8/18/2015 | SLDB2018C | LKG00318A214 | 94.3 |
| 3/16/2018 | 3/16/2015 | SLDB2018D | LKG00318C160 | 156.5 |
| 4/30/2018 | 4/30/2015 | SLDB2018F | LKG00318D309 | 51.3 |
| 4/30/2018 | 6/1/2015 | SLDB2018F | LKG00318D309 | 9.0 |
| 4/30/2018 | 7/16/2015 | SLDB2018F | LKG00318D309 | 10.0 |
| 10/3/2019 | 10/3/2014 | SLDB2019A | LKG00519I036 | 15.0 |
| 1/30/2019 | 6/29/2015 | SLDB2019B | LKG00419A301 | 35.0 |
| 1/30/2019 | 10/19/2015 | SLDB2019B | LKG00419A301 | 2.5 |
| 4/1/2020 | 4/1/2015 | SLDB2020A | LKG00520D011 | 100.0 |
| 6/29/2020 | 6/29/2015 | SLDB2020B | LKG00520F297 | 37.0 |
| 6/29/2020 | 10/19/2015 | SLDB2020B | LKG00520F297 | 50.0 |
| Total | | | 43 | 4640.1 |

Source: Central Bank of Sri Lanka

DOMESTIC DEBT

TABLE 7

DETAILS OF OUTSTANDING RUPEE LOANS AS AT END 2015

Rs.million

| Maturity Date | Issue Date | Series | Interest Rate | Face Value |
|---------------|------------|----------|---------------|-----------------|
| 2/1/2023 | 2/1/1993 | 12%2023 | 12.00 | 24,088.0 |
| Total | | 1 | | 24,088.0 |

Source: Central Bank of Sri Lanka

DOMESTIC DEBT

TABLE 8

CHANGES IN RELATIVE COMPOSITION OF GOVERNMENT SECURITIES ^(a)

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|------|------|------|------|------|
| 1. Maturity (%) | | | | | |
| Short term | 24 | 23 | 22 | 19 | 17 |
| Medium and long term | 76 | 77 | 78 | 81 | 83 |
| 2. Marketability (%) | | | | | |
| Marketable | 97 | 98 | 98 | 98 | 99 |
| Non-marketable | 3 | 2 | 2 | 2 | 1 |
| 3. Investor base (%) | | | | | |
| Central Bank | 7 | 6 | 0 | 3 | 3 |
| Commercial banks | 17 | 17 | 26 | 25 | 22 |
| Captive sources | 54 | 55 | 54 | 52 | 55 |
| Others | 27 | 27 | 23 | 20 | 21 |
| 4. Maximum maturity in the yield curve (yrs) | | | | | |
| Primary market | 10 | 15 | 20 | 30 | 30 |
| Secondary market | 10 | 15 | 15 | 20 | 30 |

Sources: Central Bank of Sri Lanka

Ministry of Finance & Planning

(a) Treasury bills, Treasury bonds and Rupee loans only. Excludes Treasury bills and Treasury bonds held by non-residents.

DOMESTIC DEBT

TABLE 9

MATURITY PROFILE OF DOMESTIC DEBT AS AT END 2015 ^(a)

Rs. million

| Maturity Year | Instrument | | | | | Total |
|---------------|------------------------------|----------------------------------|---------------|---------------------|--------------------|------------------|
| | Treasury bill ^(b) | Treasury bond ^{(b),(c)} | Rupee loan | SLDB ^(d) | OBU ^(d) | |
| 2016 | 658,240 | 274,039 | - | 280,867 | - | 1,213,146 |
| 2017 | - | 364,278 | - | 126,033 | - | 490,311 |
| 2018 | - | 439,507 | - | 227,055 | - | 666,562 |
| 2019 | - | 294,836 | - | 7,563 | - | 302,399 |
| 2020 | - | 213,605 | - | 26,940 | - | 240,545 |
| 2021 | - | 93,030 | - | - | - | 93,030 |
| 2022 | - | 242,589 | - | - | - | 242,589 |
| 2023 | - | 178,619 | 24,088 | - | - | 202,707 |
| 2024 | - | 73,344 | - | - | - | 73,344 |
| 2025 | - | 111,382 | - | - | - | 111,382 |
| 2026 | - | 151,613 | - | - | - | 151,613 |
| 2028 | - | 207,319 | - | - | - | 207,319 |
| 2029 | - | 100,673 | - | - | - | 100,673 |
| 2030 | - | 27,437 | - | - | - | 27,437 |
| 2032 | - | 102,880 | - | - | - | 102,880 |
| 2033 | - | 144,977 | - | - | - | 144,977 |
| 2034 | - | 77,859 | - | - | - | 77,859 |
| 2035 | - | 74,565 | - | - | - | 74,565 |
| 2043 | - | 33,806 | - | - | - | 33,806 |
| 2044 | - | 88,832 | - | - | - | 88,832 |
| 2045 | - | 10,058 | - | - | - | 10,058 |
| Total | 658,240 | 3,305,248 | 24,088 | 668,458 | - | 4,656,034 |

Sources : Central Bank of Sri Lanka

(a) Other liabilities to the banking sector are not included.

(b) Excludes Treasury bonds and Treasury bills issued to non-residents.

(c) Excludes government bonds of Rs. 4,397million issued to CWE in 2003 ,Rs.78,441 million issued to CPC in January 2012 and Rs. 13,125 million issued to Sri Lankan Airlines in March 2013.

(d) Exchange rate used for conversion is 1 USD = Rs. 144.0623 as at end 2015.

TABLE 10

FUTURE DOMESTIC CURRENCY DEBT OBLIGATIONS AS AT END 2015

Rs. million

| Year | Capital | Interest | Grand Total |
|--------------|------------------|------------------|------------------|
| 2016 | 265,041 | 396,674 | 661,715 |
| 2017 | 342,528 | 349,980 | 692,508 |
| 2018 | 427,068 | 353,064 | 780,133 |
| 2019 | 344,373 | 259,410 | 603,783 |
| 2020 | 191,969 | 226,196 | 418,165 |
| 2021 | 140,925 | 196,282 | 337,207 |
| 2022 | 232,769 | 194,639 | 427,408 |
| 2023 | 188,475 | 163,038 | 351,513 |
| 2024 | 72,609 | 122,128 | 194,737 |
| 2025 | 106,546 | 118,018 | 224,564 |
| 2026 | 95,910 | 155,297 | 251,207 |
| 2027 | - | 94,025 | 94,025 |
| 2028 | 156,371 | 144,257 | 300,628 |
| 2029 | 104,873 | 67,652 | 172,525 |
| 2030 | 26,386 | 60,378 | 86,763 |
| 2031 | - | 57,817 | 57,817 |
| 2032 | 59,151 | 111,143 | 170,294 |
| 2033 | 106,587 | 83,055 | 189,642 |
| 2034 | 77,859 | 30,025 | 107,884 |
| 2035 | 71,127 | 24,018 | 95,145 |
| 2036 | - | 16,292 | 16,292 |
| 2037 | - | 16,292 | 16,292 |
| 2038 | - | 16,292 | 16,292 |
| 2039 | - | 16,292 | 16,292 |
| 2040 | - | 16,292 | 16,292 |
| 2041 | - | 16,292 | 16,292 |
| 2042 | - | 16,292 | 16,292 |
| 2043 | 22,143 | 26,437 | 48,580 |
| 2044 | 88,832 | 7,253 | 96,085 |
| 2045 | 9,658 | 1,029 | 10,687 |
| Total | 3,131,200 | 3,355,864 | 6,487,063 |

Sources: Central Bank of Sri Lanka

(a) Represents capital payments (book values of Treasury bonds and Rupee loans) and interest payments (coupon payments and discounts of Treasury bonds, Treasury bills and Rupee loans) as at end 2015.

DOMESTIC DEBT

TABLE 11

OWNERSHIP OF TREASURY BILLS ^(a)

| Ownership | Rs million | | | | | | | | | |
|---|----------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 ^(b) |
| 1. Bank Sector | 122,175 | 113,782 | 251,453 | 197,532 | 223,351 | 355,552 | 373,753 | 447,004 | 401,792 | 445,418 |
| 1.1 Central Bank | 69,370 | 44,964 | 163,584 | 37,451 | 2,993 | 169,797 | 154,005 | 3,053 | 123,496 | 104,754 |
| 1.2 Commercial Banks | 52,805 | 68,818 | 87,869 | 160,081 | 220,358 | 185,756 | 219,748 | 443,951 | 278,296 | 340,664 |
| 2. Non Bank Sector | 135,558 | 193,231 | 151,146 | 243,499 | 291,091 | 235,333 | 255,317 | 253,133 | 292,975 | 212,822 |
| 2.1 Employees' Provident Fund | 4,793 | 5,208 | 1 | 420 | 5,969 | - | 33,410 | 13,969 | 1,000 | - |
| 2.2 Other Provident Funds | 42 | 166 | 55 | - | 15 | 1,279 | 122 | 45 | - | 162 |
| 2.3 Savings Institutions | 33,456 | 32,046 | 20,791 | 42,677 | 52,541 | 58,733 | 61,972 | 68,328 | 47,945 | 67,766 |
| 2.4 Insurance and Finance Companies | 5,963 | 8,623 | 10,988 | 7,192 | 12,072 | 11,010 | 19,097 | 28,629 | 47,461 | 47,375 |
| 2.5 Departmental and Other Official Funds | 28,173 | 29,481 | 16,431 | 21,452 | 20,636 | 5,968 | 2,566 | 8,114 | 10,986 | 7,570 |
| 2.6 Private and Other | 63,131 | 117,707 | 102,882 | 171,757 | 199,858 | 158,344 | 138,149 | 134,048 | 185,582 | 89,949 |
| 3 Foreign Investors ^(c) | - | - | 6,358.00 | 40,410 | 57,317 | 70,123 | 80,184 | 73,916 | 55,500 | 5,045 |
| Total | 257,732 | 307,012 | 408,958 | 481,441 | 571,759 | 661,008 | 709,254 | 774,053 | 750,267 | 663,285 |

Sources: Central Bank of Sri Lanka

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(a) Adjusted for secondary market transactions.

(b) Provisional.

(c) Includes rupee denominated Treasury bills held by foreign investors from 2008 and the Sri Lankan diaspora and migrant workers from 2009.

DOMESTIC DEBT

TABLE 12

OWNERSHIP OF TRASURY BONDS ^{(a)(b)}

| Ownership | Rs million | | | | | | | | | |
|---|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 ^(c) |
| 1. Bank Sector | 46,595 | 58,416 | 90,082 | 188,576 | 162,215 | 206,547 | 244,770 | 386,398 | 595,067 | 517,613 |
| 1.1 Commercial Banks | 46,595 | 58,416 | 90,082 | 188,576 | 162,215 | 206,547 | 244,770 | 386,398 | 595,067 | 517,613 |
| 2. Non Bank Sector | 839,377 | 960,436 | 1,191,897 | 1,324,936 | 1,481,672 | 1,612,704 | 1,850,284 | 2,065,962 | 2,248,986 | 2,787,635 |
| 2.1 Employee's Provident Fund | 408,757 | 501,331 | 607,770 | 718,717 | 814,451 | 927,374 | 1,117,360 | 1,356,389 | 1,450,144 | 1,612,461 |
| 2.2 Other Provident Funds | 4,940 | 7,862 | 9,507 | 13,766 | 19,872 | 7,550 | 30,639 | 35,031 | 315 | 42,713 |
| 2.3 Savings Institutions | 112,062 | 134,994 | 164,457 | 195,588 | 221,805 | 246,418 | 261,309 | 285,915 | 327,932 | 358,470 |
| 2.4 Insurance and Finance Companies | 13,632 | 21,215 | 26,410 | 33,194 | 33,624 | 34,410 | 31,711 | 26,636 | 42,742 | 58,808 |
| 2.5 Departmental and Other Official Funds | 58,061 | 69,588 | 90,778 | 21,949 | 36,963 | 37,006 | 37,596 | 187,904 | 210,598 | 245,045 |
| 2.6 Private and Other | 241,925 | 225,446 | 292,975 | 341,722 | 354,957 | 359,946 | 371,669 | 174,087 | 217,255 | 470,138 |
| 3 Foreign Investors ^(c) | - | 49,647 | 17,647 | 145,124 | 183,538 | 199,531 | 317,603 | 403,486 | 401,710 | 298,734 |
| Total | 885,972 | 1,068,499 | 1,299,625 | 1,658,636 | 1,827,425 | 2,018,782 | 2,412,657 | 2,855,846 | 3,245,763 | 3,603,982 |

Sources: Central Bank of Sri Lanka

Ministry of Finance and Planning

(a) Adjusted for secondary market transactions.

(b) Excludes government bonds of Rs. 4,397million issued to CWE in 2003 a, Rs.78,441 million issued to CPC in January 2012 and Rs. 13,125 million issued to Sri Lankan Airlines in March 2013.

(c) Provisional.

(d) Includes rupee denominated Treasury bonds held by foreign investors from 2007 and the Sri Lankan diaspora and migrant workers from 2009.

DOMESTIC DEBT

TABLE 13

OWNERSHIP OF RUPEE LOANS

| Ownership | Rs. million | | | | | | | | | |
|--|----------------|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 ^(a) |
| 1. Bank Sector - Commercial Banks | 22,088 | 15,870 | 15,870 | 17,252 | 17,615 | 16,234 | 15,870 | 15,870 | 15,870 | 15,870 |
| 2. Non Bank Sector | 94,625 | 115,639 | 114,139 | 95,040 | 70,094 | 45,727 | 42,516 | 39,648 | 39,648 | 8,218 |
| 2.1 Savings Institutions | 20,938 | 19,938 | 18,820 | 18,820 | 12,168 | 9,168 | 6,868 | 4,000 | 4,000 | 2,000 |
| 2.2 Departmental and Other Official Funds ^(b) | 9,755 | 8,410 | 8,400 | 6,111 | 6,103 | 6,101 | 5,190 | 6,101 | 6,101 | - |
| 2.3 Employees' Provident Fund | 56,068 | 68,921 | 68,539 | 56,583 | 40,921 | 23,100 | 23,100 | 23,100 | 23,100 | - |
| 2.4 Other Provident Funds | 6,132 | 12,320 | 12,327 | 11,417 | 10,369 | 7,358 | 7,358 | 6,447 | 6,447 | 6,218 |
| 2.5 Other State Corporations | 1,575 | 1,575 | 1,575 | 1,575 | - | - | - | - | - | - |
| 2.7 Other ^(c) | 158 | 4,475 | 4,477 | 535 | 532 | - | - | - | - | - |
| Total | 116,713 | 131,509 | 130,009 | 112,292 | 87,709 | 61,961 | 58,386 | 55,518 | 55,518 | 24,088 |

Sources: Central Bank of Sri Lanka

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(a) Provisional.

(b) Including Employees Trust Fund.

(c) Comprises co-operative banks, other companies, institutions and individuals.

FOREIGN DEBT

TABLE 14

COMPOSITION OF OUTSTANDING FOREIGN DEBT AS AT END 2015 ^(a)

Rs. million

| Creditor Category/ Use of Funds | Bi-lateral | Multi-lateral | Commercial | Export Credit | Total Debt | % of Total |
|-------------------------------------|----------------|----------------|------------------|----------------|------------------|---------------|
| Cash ^(b) | 386 | 77 | 741,921 | - | 742,384 | 20.95 |
| Commodity | 6,250 | - | - | 207 | 6,457 | 0.18 |
| Food | 21,142 | - | - | - | 21,142 | 0.60 |
| Goods & Services | 16,678 | - | - | 27,192 | 43,870 | 1.24 |
| Programme | 4,991 | 77,172 | - | - | 82,162 | 2.32 |
| Project | 839,080 | 899,523 | 2,924 | 356,699 | 2,098,226 | 59.20 |
| Other ^(b) ^(c) | 444 | 17,659 | 520,165 | 11,522 | 549,789 | 15.51 |
| Total Debt | 888,971 | 994,430 | 1,265,010 | 395,620 | 3,544,031 | 100.00 |
| % | 25.08 | 28.06 | 35.69 | 11.16 | 100.00 | |

Sources: Central Bank of Sri Lanka

Ministry of Finance and Planning

(a) Provisional .

(b) Includes Sovereign bond issued in 2009, 2010, 2011, 2012, 2014 and 2015

(c) Includes Treasury bonds and Treasury bills held by non-residents.

FOREIGN DEBT

TABLE 15

OWNERSHIP OF OUTSTANDING FOREIGN DEBT

Rs. million

| Source | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 ^{Provisional} |
|--|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------------------|
| 1. Multi-lateral | 534,356 | 580,719 | 618,181 | 665,040 | 674,936 | 721,916 | 844,292 | 903,540 | 887,960 | 994,430 |
| ADB | 269,211 | 292,151 | 317,763 | 344,661 | 358,872 | 383,461 | 448,421 | 478,796 | 471,762 | 533,806 |
| EIB | 9,345 | 15,326 | 18,010 | 20,463 | 18,792 | 18,054 | 23,438 | 23,248 | 21,133 | 29,728 |
| IBRD | 228 | 231 | 240 | 0 | 0 | 0 | 322 | 4,530 | 6,987 | 10,382 |
| IDA | 242,940 | 258,748 | 267,475 | 284,074 | 281,217 | 302,244 | 349,997 | 373,085 | 363,052 | 391,149 |
| IFAD | 7,997 | 8,719 | 9,052 | 10,309 | 11,032 | 11,032 | 13,007 | 16,013 | 17,419 | 17,098 |
| OPEC | 2,098 | 2,357 | 2,355 | 2,173 | 1,913 | 2,052 | 2,699 | 2,998 | 4,783 | 7,547 |
| Nordic Development Fund | 2,537 | 3,188 | 3,285 | 3,360 | 3,110 | 3,099 | 3,403 | 3,464 | 3,145 | 3,187 |
| 2. Bi-lateral | 486,530 | 564,500 | 666,533 | 684,750 | 739,213 | 842,804 | 1,035,907 | 823,180 | 793,196 | 888,971 |
| Canada | 8,753 | 9,852 | 7,718 | 8,488 | 8,134 | 7,701 | 8,269 | 7,409 | 6,339 | 5,373 |
| France ^(b) | 9,714 | 10,255 | 12,424 | 15,021 | 18,427 | 19,503 | 24,273 | 26,861 | 24,698 | 25,406 |
| Germany | 61,644 | 65,977 | 61,528 | 58,279 | 50,263 | 47,547 | 51,164 | 52,112 | 43,342 | 40,726 |
| India | 12,382 | 14,843 | 15,294 | 17,902 | 17,292 | 41,927 | 78,322 | 102,843 | 119,982 | 137,413 |
| Japan | 305,897 | 327,711 | 426,936 | 426,767 | 478,931 | 529,013 | 547,515 | 468,366 | 416,408 | 457,483 |
| Kuwait | 3,794 | 3,855 | 4,649 | 5,103 | 5,237 | 5,799 | 6,194 | 5,749 | 5,357 | 6,765 |
| Netherlands | 2,080 | 1,455 | 751 | 291 | 87 | 0 | 0 | 0 | 0 | 0 |
| People's Republic of China | 5,121 | 22,668 | 29,688 | 46,641 | 56,459 | 59,497 | 67,434 | 67,154 | 87,743 | 117,284 |
| Saudi Arabian Fund | 327 | 749 | 1,217 | 2,328 | 2,338 | 2,544 | 2,648 | 3,868 | 4,982 | 10,724 |
| USA | 57,310 | 52,797 | 50,708 | 46,952 | 42,414 | 40,318 | 41,386 | 38,854 | 35,246 | 34,594 |
| Other | 19,508 | 54,339 | 55,619 | 56,978 | 59,633 | 88,957 | 208,702 | 49,963 | 49,100 | 53,205 |
| 3. Financial Markets | 82,533 | 181,268 | 164,020 | 410,677 | 759,030 | 764,560 | 887,100 | 1,233,704 | 1,431,959 | 1,660,630 |
| Riggs National Bank | 3,843 | 3,746 | 3,674 | 3,476 | 3,140 | 2,984 | 3,064 | 2,922 | 2,651 | 2,607 |
| Indo-Suez Bank (France & Stockholm) | 48 | 16 | - | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bankers Trust Co. | 754 | 685 | 634 | 560 | 466 | 399 | 356 | 275 | 184 | 101 |
| Solomon Bros. Inc. - New York | 560 | 462 | 374 | 270 | 157 | 54 | 0 | 0 | 0 | 0 |
| Citi Bank/NEXI | 27,122 | 24,637 | 11,314 | 0 | 0 | 0 | 0 | 0 | 0 | 201 |
| Other ^(b) ^(c) | 50,206 | 151,722 | 148,024 | 406,370 | 755,267 | 761,124 | 883,680 | 1,230,507 | 1,429,125 | 1,307,089 |
| International Sovereign bonds | 0 | 54,360 | 56,570 | 114,384 | 341,704 | 341,704 | 445,063 | 457,636 | 655,243 | 958,014 |
| Non-resident investments in Treasury bills | 0 | 0 | 6,358 | 40,410 | 70,123 | 80,184 | 80,184 | 73,916 | 55,500 | 5,045 |
| Non-resident investments in Treasury bonds | 0 | 49,647 | 17,647 | 145,124 | 199,531 | 199,531 | 317,604 | 403,486 | 401,710 | 298,734 |
| Other | 50,206 | 47,715 | 67,449 | 106,452 | 143,909 | 149,766 | 40,829 | 295,470 | 316,672 | 45,296 |
| Total | 956,620 | 1,103,418 | 1,326,487 | 1,448,734 | 1,760,467 | 2,024,583 | 2,329,280 | 2,960,424 | 3,113,116 | 3,544,031 |

Sources: Central Bank of Sri Lanka

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(a) Includes loans from Financial Institutions.

(b) Excludes outstanding loans of Projects under State Owned Business Enterprises

(c) Includes outstanding defence loans, Rupee denominated Treasury bonds (since 2007) and Treasury bills (since 2008) held by foreign investors and proceeds from the international sovereign bond issuances and outstanding loans from China Exim Bank.

FOREIGN LOAN - 2015

Rs million

| Type and Source | Gross Receipts | Repayments | Net Change in the Liability ^(a) | Liability as at end December |
|---|----------------|----------------|--|------------------------------|
| 1. Project Loans | 190,958 | 100,887 | 275,789 | 2,180,388 |
| ADB | 39,754 | 19,710 | 63,410 | 526,774 |
| Australia | 1,321 | 1,893 | 601 | 12,357 |
| Austria | 924 | 1,734 | (935) | 16,302 |
| Canada | - | 299 | (660) | 3,840 |
| China | 54,700 | 16,870 | 74,156 | 304,038 |
| Denmark | - | 2,785 | (3,110) | 12,327 |
| EIB | 11,304 | 2,446 | 8,595 | 29,728 |
| Finland | - | 351 | (390) | 1,976 |
| France | 950 | 1,332 | 600 | 31,415 |
| Germany | 1,028 | 2,723 | (2,245) | 35,623 |
| Hong Kong | - | 912 | (734) | 1,565 |
| India | 8,720 | 3,537 | 16,718 | 120,735 |
| IDA | 14,046 | 10,393 | 26,138 | 380,445 |
| Japan | 22,796 | 23,650 | 41,092 | 458,191 |
| Korea | 2,830 | 972 | 5,139 | 46,379 |
| Kuwait | 1,285 | 398 | 1,408 | 6,765 |
| Netherlands | 7,465 | 2,139 | 10,649 | 28,930 |
| Opec Fund for International Development | 2,241 | 333 | 2,764 | 7,547 |
| Saudi Arabian Fund | 2,009 | 355 | 5,742 | 10,724 |
| Spain | 1,300 | 471 | 1,379 | 8,768 |
| Sweden | 600 | 1,394 | 858 | 20,450 |
| UK | 7,691 | 3,055 | 12,142 | 41,547 |
| USA | 951 | 1,911 | 1,073 | 19,264 |
| Other | 9,044 | 1,225 | 11,398 | 54,700 |
| 2. Non-Project Loans | 459,586 | 219,881 | 155,126 | 1,363,642 |
| 2.1 Commodity Loans | 1,064 | 5,443 | (674) | 47,660 |
| Canada | - | 160 | (307) | 1,532 |
| France | - | 7 | (8) | 1 |
| India | 1,064 | 1,923 | 713 | 16,678 |
| Pakistan | - | 523 | (190) | 3,589 |
| Germany | - | 275 | (346) | 4,717 |
| USA | - | 2,466 | (447) | 21,142 |
| Japan | - | 89 | (89) | - |
| 2.2 Other Loans | 458,522 | 214,439 | 155,800 | 1,315,982 |
| ADB | - | 1,728 | (1,366) | 7,032 |
| China | 1,801 | 402 | 2,011 | 6,134 |
| Germany | - | 19 | (25) | 386 |
| Other (b) | 456,722 | 212,289 | 155,179 | 1,302,430 |
| Memo: Liability due to variations in exchange rates | | | 228,731 | |
| Grand Total (c) | 650,544 | 320,769 | 430,915 | 3,544,031 |

Sources: Central Bank of Sri Lanka

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(a) This includes the impact of exchange rate variation.

(b) Includes rupee denominated Treasury bonds (since 2007) and Treasury bills (since 2008) held by foreign investors and proceeds from the international sovereign bond issuances.

(c) Liability as at end 2015 includes outstanding defence loans.

FOREIGN LOAN DISBURSEMENTS BY SOURCE

Rs million

| Category | Disbursements | | | | | | | | | |
|------------------------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014(a) | 2015 (b) |
| 1. Lender | 92,296 | 183,046 | 129,628 | 256,402 | 327,878 | 322,771 | 482,259 | 392,351 | 451,430 | 509,201 |
| Bi-lateral | 38,614 | 50,102 | 42,248 | 60,131 | 59,272 | 78,739 | 109,165 | 83,109 | 73,690 | 66,955 |
| Multi-lateral | 33,942 | 29,126 | 39,981 | 48,547 | 52,685 | 54,459 | 65,782 | 63,335 | 61,156 | 71,924 |
| Commercial ^{(c)(d)} | 10,756 | 95,147 | 31,127 | 109,371 | 163,892 | 144,963 | 250,505 | 158,918 | 281,350 | 311,659 |
| Export Credits | 8,984 | 8,671 | 16,272 | 38,353 | 52,028 | 44,611 | 56,807 | 86,989 | 35,234 | 58,664 |
| 2. Use of Funds | 92,296 | 183,046 | 129,628 | 256,402 | 327,878 | 322,771 | 482,259 | 233,433 | 451,430 | 509,201 |
| Cash ^(c) | 9,138 | 56,202 | - | 57,404 | 111,926 | 109,488 | 130,695 | 139,483 | 195,989 | 87,035 |
| Commodity | - | - | - | - | - | - | - | - | - | - |
| Food | - | - | - | - | - | - | - | - | - | - |
| Goods & Services | 3,227 | 2,515 | 58 | 314 | 126 | 3,254 | 2,316 | 8,195 | 626 | 1,064 |
| Programme | 5,362 | 270 | 1,791 | 593 | 4,788 | 194 | - | 21 | - | - |
| Project | 73,052 | 84,830 | 112,560 | 145,850 | 158,770 | 174,097 | 227,041 | 272,433 | 164,352 | 190,923 |
| Technical Assistance | 127 | 288 | 249 | 275 | 302 | 232 | 210 | 39 | 241 | 35 |
| Other ^(d) | 1,390 | 38,941 | 14,970 | 151,967 | 51,967 | 35,507 | 121,997 | 27,294 | 90,221 | 230,145 |

Sources: Central Bank of Sri Lanka

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(a) Revised

(b) Provisional

(c) Includes Sovereign bond issued in 2009, 2010, 2011,2012,2014 and 2015.

(d) Includes Treasury bonds and Treasury bills(net) issued to non-residents since 2007.

DEBT SERVICE PAYMENTS

TABLE 18

GOVERNMENT DEBT REPAYMENTS AND INTEREST PAYMENTS

Rs.million

| Year | Principal Repayments | | | Interest Payments | | |
|---------------------|-------------------------|------------------------|---------|-------------------------|------------------------|---------|
| | Domestic ^(a) | Foreign ^(b) | Total | Domestic ^(c) | Foreign ^(d) | Total |
| 1978 | 664 | 501 | 1,165 | 1,055 | 285 | 1,340 |
| 1979 | 683 | 499 | 1,182 | 1,277 | 357 | 1,634 |
| 1980 | 902 | 600 | 1,502 | 1,787 | 412 | 2,199 |
| 1981 | 1,001 | 607 | 1,608 | 3,025 | 713 | 3,738 |
| 1982 | 1,938 | 674 | 2,612 | 4,189 | 915 | 5,104 |
| 1983 | 3,860 | 1,165 | 5,025 | 5,336 | 1,270 | 6,606 |
| 1984 | 764 | 1,465 | 2,229 | 5,115 | 1,623 | 6,738 |
| 1985 | 5,108 | 1,789 | 6,897 | 5,458 | 1,970 | 7,428 |
| 1986 | 4,505 | 3,020 | 7,525 | 6,553 | 2,209 | 8,762 |
| 1987 | 902 | 4,690 | 5,592 | 7,593 | 2,564 | 10,157 |
| 1988 | 4,471 | 5,209 | 9,680 | 9,694 | 2,896 | 12,590 |
| 1989 | 3,796 | 5,742 | 9,538 | 11,015 | 3,337 | 14,352 |
| 1990 | 7,304 | 4,906 | 12,210 | 16,990 | 3,678 | 20,668 |
| 1991 | 12,901 | 4,881 | 17,782 | 17,960 | 4,113 | 22,073 |
| 1992 | 18,123 | 7,955 | 26,078 | 21,201 | 4,739 | 25,940 |
| 1993 | 20,327 | 6,963 | 27,290 | 25,101 | 5,102 | 30,203 |
| 1994 | 15,065 | 7,606 | 22,671 | 32,520 | 5,511 | 38,031 |
| 1995 | 28,069 | 8,477 | 36,546 | 32,064 | 6,162 | 38,226 |
| 1996 | 22,749 | 10,491 | 33,240 | 42,184 | 6,739 | 48,923 |
| 1997 | 15,232 | 13,251 | 28,483 | 48,554 | 6,692 | 55,246 |
| 1998 | 41,617 | 18,351 | 59,968 | 47,598 | 7,300 | 54,898 |
| 1999 | 20,322 | 21,440 | 41,762 | 53,371 | 8,752 | 62,123 |
| 2000 | 81,244 | 23,282 | 104,526 | 62,185 | 9,015 | 71,200 |
| 2001 | 56,844 | 27,921 | 84,765 | 84,560 | 9,747 | 94,307 |
| 2002 | 130,786 | 37,057 | 167,843 | 105,897 | 10,617 | 116,514 |
| 2003 | 185,083 | 34,425 | 219,508 | 113,540 | 11,586 | 125,126 |
| 2004 | 147,740 | 33,041 | 180,781 | 105,878 | 13,904 | 119,782 |
| 2005 | 203,347 | 21,360 | 224,707 | 113,164 | 6,995 | 120,159 |
| 2006 | 247,536 | 45,989 | 293,525 | 133,787 | 16,990 | 150,777 |
| 2007 | 251,900 | 65,934 | 317,834 | 158,701 | 23,980 | 182,681 |
| 2008 | 258,720 | 121,609 | 380,330 | 182,198 | 30,277 | 212,475 |
| 2009 | 403,723 | 114,716 | 518,439 | 273,977 | 35,698 | 309,675 |
| 2010 | 389,672 | 78,184 | 467,856 | 297,127 | 55,464 | 352,592 |
| 2011 | 439,894 | 98,789 | 538,683 | 288,134 | 68,565 | 356,699 |
| 2012 | 415,441 | 193,529 | 608,970 | 317,659 | 90,839 | 408,498 |
| 2013 | 496,042 | 203,993 | 700,035 | 354,706 | 108,160 | 462,865 |
| 2014 | 449,554 | 183,109 | 632,662 | 327,934 | 115,660 | 443,595 |
| 2015 ^(e) | 523,824 | 284,293 | 808,117 | 394,289 | 115,386 | 509,674 |

Sources: Central Bank of Sri Lanka

Ministry of Finance and Planning

(a) Excludes Treasury bond payments to non-residents .

(b) Includes Treasury bond payments to non-residents

(c) Excludes Treasury bill & Treasury bond interest payments to non-residents .

(d) Includes Treasury bill & Treasury bond interest payments to non-residents .

(e) Provisional. Excludes Foreign Interest Payments for the Projects under State Owned Business Enterprises

GOVERNMENT BORROWINGS

TABLE 19

ISSUES AND MATURITIES OF DOMESTIC DEBT IN 2014 AND 2015 ^(a)

Rs. million

| | Maturity (M) | 2014 | | | 2015 | | |
|----------------------|--------------------|------------------|------------------|----------------|-----------------------|------------------|-----------------|
| | | Issues | Repayments | Net Issues | Issues ^(b) | Repayments | Net Issues |
| Treasury bills | 0 < M ≤ 91 days | 232,807 | 236,641 | (3,834) | 701,806 | 623,238 | 78,568 |
| | 91 < M ≤ 182 days | 358,167 | 161,873 | 196,294 | 603,882 | 493,332 | 110,551 |
| | 182 < M ≤ 364 days | 604,647 | 745,521 | (140,874) | 283,839 | 559,939 | (276,100) |
| Total | | 1,195,621 | 1,144,035 | 51,586 | 1,589,527 | 1,676,509 | (86,981) |
| Treasury bonds | 1 year | 15,105 | 100,200 | (85,095) | 9,500 | 9,105 | 395 |
| | 2 year | 82,336 | 76,216 | 6,120 | 34,659 | 99,562 | (64,903) |
| | 3 year | 147,294 | 139,510 | 7,784 | 48,878 | 86,001 | (37,123) |
| | 4 year | - | 70,326 | (70,326) | 79,134 | 61,884 | 17,250 |
| | 5 year | 150,442 | 81,975 | 68,467 | 133,577 | 110,529 | 23,048 |
| | 6 year | 167 | 2,550 | (2,383) | 65,743 | 144,624 | (78,881) |
| | 7 year | 12,908 | - | 12,908 | 84,371 | - | 84,371 |
| | 8 year | 98,428 | - | 98,428 | 100,528 | - | 100,528 |
| | 9 year | 14,889 | - | 14,889 | 20,600 | - | 20,600 |
| | 10 year | 55,634 | - | 55,634 | 106,389 | - | 106,389 |
| | 11 year | - | - | - | 39,477 | - | 39,477 |
| | 12 year | - | - | - | - | - | - |
| | 13 year | - | - | - | 23,424 | - | 23,424 |
| | 14 year | 10,296 | - | 10,296 | 8,121 | - | 8,121 |
| | 15 year | 89,316 | - | 89,316 | 24,577 | - | 24,577 |
| | 19 year | 33,667 | - | 33,667 | 56,675 | - | 56,675 |
| 20 year | 67,704 | - | 67,704 | 17,890 | - | 17,890 | |
| 30 year | 82,508 | - | 82,508 | 16,381 | - | 16,381 | |
| Total | | 860,695 | 470,777 | 389,918 | 869,923 | 511,705 | 358,218 |
| Rupee loans | 4/7 year | - | - | - | - | - | - |
| | 4/8 year | - | - | - | - | - | - |
| | 3/10 year | - | - | - | - | - | - |
| Total | | - | - | - | - | - | - |
| Sri Lanka Dev. Bonds | ≤ 1 year | 22,859 | 32,625 | (9,766) | 250,197 | 32,681 | 217,517 |
| | 2 year | 9159.5 | - | 9,160 | 19162.272 | - | 19,162 |
| | 3 year | 59,543 | 41,858 | 17,685 | 39,888 | 59,431 | (19,543) |
| | 4 year | 1,956 | - | 1,956 | 7,048 | 19,454 | (12,406) |
| | 5 year | 1,957 | - | 1,957 | 18,237 | - | 18,237 |
| Total | | 95,475 | 74,483 | 20,992 | 334,532 | 111,565 | 222,967 |
| Loans from OBUs | ≤ 1 year | - | - | - | - | - | - |
| | 2 years | - | - | - | - | - | - |
| | 3 years | - | - | - | - | - | - |
| Total | | - | - | - | - | - | - |
| Grand Total | | 2,151,790 | 1,689,295 | 462,496 | 2,793,982 | 2,299,779 | 494,204 |

(a) Face Value.

Sources: Central Bank of Sri Lanka

(b) Revised

GOVERNMENT BORROWINGS

TABLE 20

AUCTION AND PRIMARY ISSUE DETAILS IN 2014 AND 2015 ^(a)

Rs. million

| | 2014 | | | 2015 ^(b) | | |
|-----------------------|------------------|----------------|-------------|---------------------|-------------------------------|-------------|
| | Treasury Bills | Treasury Bonds | Rupee Loans | Treasury Bills | Treasury Bonds ^(b) | Rupee Loans |
| Auctions | | | | | | |
| Number of Auctions | 51 | 15 | - | - | - | - |
| Amount Offered | 555,000 | 24,000 | - | 983,000 | 632,000 | - |
| Bids Received | 1,971,337 | 80,655 | - | 3,071,071 | 2,340,313 | - |
| Amount Accepted | 759,600 | 27,750 | - | 1,006,488 | 712,332 | - |
| CBSL Purchases | 337,659 | - | - | 564,159 | - | - |
| Placements | 24,447 | 832,945 | - | 18,880 | 157,591 | - |
| Total Issues | 1,121,705 | 860,695 | - | 1,589,527 | 869,923 | - |

(a) Face Value.

Source: Central Bank of Sri Lanka

(b) Provisional

GOVERNMENT BORROWINGS

TABLE 21

GOVERNMENT BORROWING LIMITS AND USAGE IN 2014 AND 2015

Rs. million

| | 2014 | | 2015 | |
|---|------------------|------------------|------------------|------------------|
| | Approved Limit | Usage | Approved Limit | Usage |
| 1. Gross Borrowing | 1,478,000 | 1,453,323 | 1,780,000 | 1,695,336 |
| 1.1. Domestic | 1,114,000 | 1,062,165 | 1,327,000 | 1,138,966 |
| 1.2. Foreign | 364,000 | 391,158 | 453,000 | 556,370 |
| 2. Sources of Financing | | | | |
| 2.1. Domestic Financing | 1,114,000 | 1,062,165 | 1,327,000 | 1,138,966 |
| 2.1.1. Rupee Loans | - | - | - | - |
| 2.1.2. Treasury bonds ^(a) | 939,135 | 892,658 | 1,166,900 | 870,858 |
| 2.1.3. Treasury bills (net) ^(a) | 40,000 | 11,828 | 15,000 | (73,658) |
| 2.1.4. CBSL Advances | 36,800 | 34,731 | 15,100 | 7,234 |
| 2.1.5. SLDBs | 98,065 | 95,451 | 130,000 | 334,532 |
| 2.1.6. OBUs | - | - | - | - |
| 2.1.7. Other | - | 27,497 | - | - |
| 2.2 Foreign Financing | 364,000 | 391,158 | 453,000 | 556,370 |
| 2.2.1. Project/Programme Loans ^{(b) (c)} | 234,000 | 195,196 | 258,000 | 257,870 |
| 2.2.2. Other ^(d) | 130,000 | 195,962 | 195,000 | 298,501 |
| Total Financing | 1,478,000 | 1,453,323 | 1,780,000 | 1,695,336 |

Sources: Central Bank of Sri Lanka

Ministry of Finance and Planning

(a) Includes Treasury bonds and Treasury bills issued to non-residents.

(b) Includes foreign receipts of Rs.37,349.7 million received in 2014 which has been postponed to 2015 since there were no approved allocations in 2014.

(c) Excludes receipts of projects under State Owned Business Enterprises.

(d) Includes International Sovereign bonds and non-project loans.

GOVERNMENT BORROWINGS

TABLE 22

FINANCING OF THE GOVERNMENT NET CASH DEFICIT

Rs.million

| Item | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 ^(a) |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------|
| 1. NET CASH SURPLUS (+) / DEFICIT (-) | (215,516) | (262,252) | (322,329) | (486,626) | (451,924) | (455,207) | (551,142) | (612,599) | (801,408) | (980,776) |
| 1.1 Revenue and grants | 527,435 | 614,329 | 708,596 | 746,359 | 858,372 | 973,476 | 1,030,128 | 1,098,355 | 1,169,543 | 1,413,318 |
| 1.2 Expenditure ^(b) | (742,951) | (876,581) | (1,030,925) | (1,232,984) | (1,310,295) | (1,428,683) | (1,581,271) | (1,710,955) | 1,970,952 | (2,394,094) |
| 2. FINANCING OF THE DEFICIT | 215,516 | 262,252 | 322,329 | 486,626 | 451,924 | 455,207 | 551,142 | 612,599 | 801,408 | 980,776 |
| 2.1 Domestic Financing | 163,808 | 145,136 | 314,312 | 245,556 | 202,229 | 231,224 | 257,847 | 487,542 | 525,843 | 743,973 |
| 2.1.1 Domestic Market Borrowings | 164,458 | 127,076 | 309,694 | 234,276 | 191,999 | 236,021 | 252,409 | 474,542 | 539,206 | 743,973 |
| Rupee Loans | 23 | 18,833 | - | 1,904 | - | - | - | - | - | - |
| Less: Direct Repayments | 23,873 | 8,500 | 1,500 | 19,621 | 24,583 | 25,748 | 3,576 | 2,868 | - | 31,430 |
| Net | (23,850) | 10,333 | (1,500) | (17,717) | (24,583) | (25,748) | (3,576) | (2,868) | - | (31,430) |
| Treasury Bills | 20,300 | 37,092 | 69,766 | 49,008 | 82,796 | 79,616 | 16,782 | 53,510 | 26,077 | (26,375) |
| Treasury Bonds | 97,429 | 52,807 | 192,356 | 201,935 | 140,440 | 168,401 | 154,548 | 252,125 | 369,135 | 442,582 |
| Sri Lanka Development Bonds (SLDBs) | 34,254 | 23,592 | 65,497 | 7,564 | 11,073 | 5,268 | 18,359 | 140,277 | 20,968 | 222,967 |
| Central Bank Advances | 9,269 | 11,664 | 15,629 | (2,428) | 3,998 | 16,864 | 16,549 | (2,125) | 34,731 | 7,234 |
| Other Borrowings from Banks ^(c) | 33,874 | (3,025) | (43,598) | (2,918) | (7,291) | 13,730 | 45,139 | 31,725 | 101,967 | 133,400 |
| Use of Cash Balances | (6,818) | (5,386) | 11,544 | (1,169) | (14,434) | (22,109) | 4,609 | 1,898 | (13,672) | (4,405) |
| 2.1.2 Domestic Other Borrowings ^(d) | (650) | 18,060 | 4,618 | 11,280 | 10,230 | (4,798) | 5,438 | 13,000 | (13,363) | - |
| 2.2 Foreign Financing | 51,708 | 117,115 | 8,018 | 241,070 | 249,694 | 223,983 | 293,295 | 125,057 | 275,565 | 236,803 |
| 2.2.1 Project Loans | 78,254 | 72,871 | 114,600 | 146,717 | 163,860 | 174,523 | 228,808 | 164,191 | 188,025 | 201,655 |
| Less: Repayments | 33,715 | 39,108 | 47,762 | 66,059 | 55,360 | 63,632 | 80,958 | 98,231 | 96,634 | 117,031 |
| Net | 44,539 | 33,763 | 66,838 | 80,658 | 108,500 | 110,892 | 147,850 | 65,960 | 91,391 | 84,623 |
| 2.2.2 Non-project Loans | 7,169 | 83,352 | (58,820) | 160,412 | 141,194 | 113,092 | 145,445 | 59,098 | 184,174 | 35,148 |
| Commodity Loans | 3,227 | 2,510 | 58 | 314 | 126 | 3,254 | 2,316 | 8,195 | 626 | 1,064 |
| Less: Repayments | 5,163 | 5,417 | 5,771 | 5,871 | 6,100 | 5,793 | 5,634 | 5,226 | 4,814 | 5,443 |
| Net | (1,936) | (2,907) | (5,713) | (5,557) | (5,974) | (2,539) | (3,319) | 2,969 | (4,188) | (4,379) |
| Other loans ^(e) | 16,216 | 105,848 | 14,970 | 208,755 | 163,893 | 144,995 | 255,700 | 156,664 | 270,023 | 34,084 |
| Less: Repayments | 7,111 | 19,589 | 68,077 | 42,786 | 16,724 | 29,364 | 106,937 | 100,535 | 81,661 | 1,618,119 |
| Net | 9,105 | 86,259 | (53,107) | 165,969 | 147,169 | 115,631 | 148,764 | 56,128 | 188,362 | (127,734) |

Sources : Central Bank of Sri Lanka
Ministry of Finance and Planning

(a) Provisional.

(b) Consists of government expenditure excluding contributions to sinking funds, direct repayment.

of public debt and subscriptions to international financial organisations. Also excludes book adjustments arising from losses on Advance Account operations incurred and financed in previous financial years.

Hence, the figures may not tally with the figures published in the Accounts of the Government of Sri Lanka.

(c) Includes cash items in process of collection in the Central Bank and commercial banks, government import bills overdraft and borrowings from offshore the banking units of commercial banks.

(d) Includes domestic grants, administrative borrowings and payments to be made.

(e) Includes cash loans received from the Iraq, China, OPEC, Japan and military equipment loans and Euro currency commercial loans.

COST OF BORROWING

TABLE 23

TREASURY BILLS PRIMARY AUCTION YIELD RATES AND COMPOSITE RATE - 2015

| Year | Month | Weighted Average Yield Rates of T-Bills (Net of Tax) | | | |
|------|--------------|--|-------------|-------------|----------------|
| | | 91 Days | 182 Days | 364 Days | Composite Rate |
| 2014 | December | 5.74 | 5.84 | 5.99 | 5.92 |
| | Total | 6.58 | 6.57 | 6.73 | 6.68 |
| 2015 | January | 5.78 | 5.89 | 6.02 | 5.91 |
| | February | 5.89 | 6.01 | 6.10 | 6.00 |
| | March | 6.93 | 7.04 | 6.99 | 6.98 |
| | April | 6.33 | 6.60 | 6.67 | 6.59 |
| | May | 6.10 | 6.23 | 6.34 | 6.21 |
| | June | 6.08 | 6.18 | 6.29 | 6.16 |
| | July | 6.20 | 6.33 | 6.40 | 6.26 |
| | August | 6.53 | 6.59 | 6.70 | 6.60 |
| | September | 6.78 | 7.07 | 7.18 | 6.86 |
| | October | 6.73 | 7.02 | 7.10 | 6.92 |
| | November | 6.44 | 6.57 | 6.95 | 6.65 |
| | December | 6.23 | 6.43 | 6.94 | 6.47 |
| | Total | 6.32 | 6.50 | 6.60 | 6.46 |

Source: Central Bank of Sri Lanka

TREASURY BOND AUCTIONS IN 2015

| Series | Settlement Date | Maturity Date | Maturity Period (Years) | Amount Offered (Rs. million.) | Bids Received (Rs. million.) | Amount Accepted (Rs. million.) | Coupon Rate (%) | Weighed Average Yield (a) |
|-------------|-----------------|---------------|-------------------------|-------------------------------|------------------------------|--------------------------------|-----------------|---------------------------|
| 11.00%2021A | 1/1/2015 | 8/1/2021 | 7 | 1,500 | 5,250 | 2,500 | 11.00 | 7.05 |
| 09.00%2025A | 1/1/2015 | 5/1/2025 | 10 | 1,500 | 4,800 | 1,500 | 09.00 | 7.88 |
| 12.50%2045A | 3/2/2015 | 3/1/2045 | 30 | 1,000 | 20,708 | 10,058 | 12.50 | 11.73 |
| 11.20%2022A | 3/16/2015 | 7/1/2022 | 7 | 10,000 | 45,895 | 18,240 | 11.20 | 9.17 |
| 10.25%2025A | 3/16/2015 | 3/15/2025 | 10 | 10,000 | 38,607 | 15,707 | 10.25 | 10.09 |
| 11.50%2035A | 3/16/2015 | 3/15/2035 | 20 | 10,000 | 41,340 | 17,890 | 11.50 | 11.20 |
| 08.50%2018D | 3/16/2015 | 6/1/2018 | 3 | 10,000 | 34,343 | 22,943 | 08.50 | 8.70 |
| 11.20%2023A | 3/16/2015 | 9/1/2023 | 8 | 10,000 | 27,890 | 14,462 | 11.20 | 9.79 |
| 10.60%2019B | 3/20/2015 | 9/15/2019 | 4 | 7,000 | 24,763 | 9,846 | 10.60 | 9.13 |
| 11.00%2021A | 3/20/2015 | 8/1/2021 | 6 | 7,000 | 21,206 | 7,858 | 11.00 | 9.55 |
| 10.60%2019B | 4/1/2015 | 9/15/2019 | 4 | 10,000 | 40,620 | 19,245 | 10.60 | 8.92 |
| 11.20%2023A | 4/1/2015 | 9/1/2023 | 8 | 20,000 | 74,600 | 20,100 | 11.20 | 9.73 |
| 08.00%2020A | 4/2/2015 | 6/1/2020 | 5 | 5,000 | 22,760 | 5,265 | 08.00 | 9.07 |
| 10.25%2025A | 4/2/2015 | 3/15/2025 | 10 | 20,000 | 48,048 | 20,103 | 10.25 | 10.03 |
| 08.75%2017A | 4/9/2015 | 5/15/2017 | 2 | 12,500 | 32,756 | 12,441 | 08.75 | 8.14 |
| 11.00%2021A | 4/9/2015 | 8/1/2021 | 6 | 7,500 | 27,400 | 7,600 | 11.00 | 9.40 |
| 08.50%2018D | 4/24/2015 | 6/1/2018 | 3 | 3,000 | 21,860 | 4,560 | 08.50 | 8.15 |
| 08.50%2018D | 5/5/2015 | 6/1/2018 | 3 | 10,000 | 38,755 | 15,205 | 08.50 | 7.96 |
| 10.25%2025A | 5/5/2015 | 3/15/2025 | 10 | 10,000 | 32,369 | 4,500 | 10.25 | 8.98 |
| 09.25%2020A | 5/8/2015 | 5/1/2020 | 5 | 5,000 | 16,970 | 5,750 | 09.25 | 8.46 |
| 10.60%2019A | 5/15/2015 | 7/1/2019 | 4 | 5,000 | 19,600 | 6,500 | 10.60 | 8.15 |
| 10.25%2025A | 5/22/2015 | 3/15/2025 | 10 | 2,000 | 14,670 | 3,290 | 10.25 | 9.05 |
| 09.25%2020A | 6/1/2015 | 5/1/2020 | 5 | 3,000 | 11,210 | 1,910 | 09.25 | 8.35 |
| 11.20%2023A | 6/1/2015 | 9/1/2023 | 8 | 7,000 | 27,880 | 7,830 | 11.20 | 8.78 |
| 11.00%2030A | 6/1/2015 | 5/15/2030 | 15 | 10,000 | 33,330 | 10,450 | 11.00 | 9.67 |
| 09.25%2020A | 6/15/2015 | 5/1/2020 | 5 | 9,000 | 27,350 | 16,500 | 09.25 | 8.11 |
| 10.00%2022A | 6/15/2015 | 10/1/2022 | 7 | 9,000 | 30,100 | 16,100 | 10.00 | 8.56 |
| 10.00%2022A | 6/15/2015 | 10/1/2022 | 7 | 3,000 | 15,700 | 5,350 | 10.00 | 8.56 |
| 10.25%2025A | 6/15/2015 | 3/15/2025 | 10 | 7,000 | 23,150 | 9,650 | 10.25 | 8.89 |
| 08.00%2018A | 6/26/2015 | 11/15/2018 | 2 | 1,000 | 6,100 | 1,500 | 08.00 | 6.70 |
| 08.00%2017B | 6/26/2015 | 6/15/2017 | 3 | 1,000 | 6,100 | 1,500 | 08.00 | 7.18 |
| 08.00%2020A | 7/2/2015 | 6/1/2020 | 5 | 10,000 | 17,200 | 3,700 | 08.00 | 8.16 |
| 08.00%2022A | 7/2/2015 | 1/1/2022 | 7 | 10,000 | 29,580 | 13,300 | 08.00 | 8.67 |
| 09.00%2023A | 7/2/2015 | 9/1/2023 | 8 | 10,000 | 32,370 | 15,300 | 09.00 | 8.82 |
| 09.25%2020A | 7/3/2015 | 5/1/2020 | 5 | 5,000 | 8,700 | 1,000 | 09.25 | 8.20 |
| 10.00%2022A | 7/3/2015 | 10/1/2022 | 7 | 5,000 | 9,250 | 1,000 | 10.00 | 8.57 |
| 09.25%2020A | 7/15/2015 | 5/1/2020 | 5 | 15,000 | 28,850 | 11,500 | 09.25 | 8.39 |
| 09.45%2021A | 7/15/2015 | 10/15/2021 | 6 | 10,000 | 17,365 | 7,615 | 09.45 | 9.08 |
| 10.00%2022A | 7/15/2015 | 10/1/2022 | 7 | 15,000 | 27,800 | 12,100 | 10.00 | 9.14 |
| 08.75%2018A | 7/15/2015 | 10/15/2018 | 3 | 10,000 | 21,820 | 4,670 | 08.75 | 8.18 |
| 11.20%2023A | 7/15/2015 | 9/1/2023 | 8 | 10,000 | 29,150 | 11,050 | 11.20 | 9.58 |
| 10.60%2019A | 8/3/2015 | 7/1/2019 | 4 | 12,500 | 49,665 | 27,630 | 10.60 | 8.19 |
| 11.00%2021A | 8/3/2015 | 8/1/2021 | 6 | 12,500 | 47,420 | 23,010 | 11.00 | 8.86 |
| 11.00%2021A | 8/7/2015 | 8/1/2021 | 6 | 5,000 | 28,835 | 11,405 | 11.00 | 9.07 |
| 11.00%2025A | 8/7/2015 | 8/1/2025 | 10 | 10,000 | 56,680 | 14,340 | 11.00 | 9.63 |
| 09.25%2020A | 8/18/2015 | 5/1/2020 | 5 | 3,000 | 22,273 | 6,273 | 09.25 | 8.38 |
| 11.00%2025A | 8/18/2015 | 8/1/2025 | 10 | 5,000 | 32,918 | 6,660 | 11.00 | 9.67 |
| 11.20%2023A | 9/1/2015 | 9/1/2023 | 8 | 10,000 | 30,452 | 10,294 | 11.20 | 9.76 |
| 11.00%2025A | 9/1/2015 | 8/1/2025 | 10 | 12,500 | 43,996 | 20,288 | 11.00 | 9.97 |
| 09.25%2020A | 9/1/2015 | 5/1/2020 | 5 | 5,000 | 14,268 | 5,500 | 09.25 | 9.35 |
| 11.00%2021A | 9/1/2015 | 8/1/2021 | 6 | 12,500 | 25,190 | 1,755 | 11.00 | 9.71 |
| 11.00%2026A | 9/1/2015 | 6/1/2026 | 11 | 12,500 | 39,937 | 24,063 | 11.00 | 10.34 |
| 09.25%2020A | 9/11/2015 | 5/1/2020 | 5 | 2,000 | 14,110 | 3,735 | 09.25 | 9.65 |
| 11.20%2023A | 9/11/2015 | 9/1/2023 | 8 | 2,000 | 14,060 | 4,470 | 11.20 | 10.25 |
| 11.00%2030A | 9/11/2015 | 5/15/2030 | 15 | 3,000 | 17,401 | 7,427 | 11.00 | 10.96 |

COST OF BORROWING

TABLE 24 - Contd.

TREASURY BOND AUCTIONS IN 2015

| Series | Settlement Date | Maturity Date | Maturity Period (Years) | Amount Offered (Rs. million.) | Bids Received (Rs. million.) | Amount Accepted (Rs. million.) | Coupon Rate (%) | Weighed Average Yield (a) |
|-------------|-----------------|---------------|-------------------------|-------------------------------|------------------------------|--------------------------------|-----------------|---------------------------|
| 09.25%2020A | 9/21/2015 | 5/1/2020 | 5 | 3,000 | 20,003 | 3,100 | 09.25 | 9.58 |
| 10.00%2022A | 9/21/2015 | 10/1/2022 | 7 | 5,000 | 19,773 | 9,559 | 10.00 | 9.95 |
| 11.00%2025A | 9/21/2015 | 8/1/2025 | 10 | 5,000 | 15,582 | 5,241 | 11.00 | 10.38 |
| 11.50%2028A | 9/21/2015 | 9/1/2028 | 13 | 3,000 | 17,779 | 10,884 | 11.50 | 10.88 |
| 10.60%2019B | 10/1/2015 | 9/15/2019 | 4 | 2,000 | 14,610 | 3,000 | 10.60 | 9.50 |
| 11.00%2021A | 10/1/2015 | 8/1/2021 | 6 | 3,000 | 15,060 | 6,500 | 11.00 | 9.90 |
| 11.50%2028A | 10/1/2015 | 9/1/2028 | 13 | 4,000 | 18,965 | 3,660 | 11.50 | 11.04 |
| 10.60%2019B | 11/2/2015 | 9/15/2019 | 4 | 7,000 | 32,562 | 8,000 | 10.60 | 9.14 |
| 10.00%2022A | 11/2/2015 | 10/1/2022 | 7 | 7,000 | 32,611 | 6,222 | 10.00 | 9.65 |
| 11.50%2028A | 11/2/2015 | 9/1/2028 | 13 | 6,000 | 27,247 | 8,880 | 11.50 | 10.39 |
| 11.50%2035A | 11/2/2015 | 3/15/2035 | 19 | 10,000 | 37,295 | 22,340 | 11.50 | 11.09 |
| 09.25%2020A | 11/2/2015 | 5/1/2020 | 4 | 3,000 | 30,473 | 3,669 | 09.25 | 8.99 |
| 11.00%2030A | 11/2/2015 | 5/15/2030 | 15 | 3,000 | 28,060 | 6,700 | 11.00 | 10.33 |
| 09.25%2020A | 12/4/2015 | 5/1/2020 | 4 | 2,000 | 17,877 | 1,244 | 09.25 | 8.91 |
| 11.00%2026A | 12/4/2015 | 6/1/2026 | 10 | 3,000 | 17,567 | 500 | 11.00 | 9.35 |
| 11.50%2035A | 12/4/2015 | 3/15/2035 | 19 | 7,000 | 36,400 | 18,850 | 11.50 | 10.50 |
| 11.00%2025A | 12/18/2015 | 8/1/2025 | 10 | 3,000 | 12,075 | 3,000 | 11.00 | 10.36 |
| 11.50%2035A | 12/18/2015 | 3/15/2035 | 19 | 5,000 | 27,975 | 12,555 | 11.50 | 10.86 |
| 09.50%2020A | 12/23/2015 | 12/15/2020 | 5 | 3,000 | 10,050 | 1,300 | 09.50 | 9.56 |
| 11.00%2030A | 12/23/2015 | 5/15/2030 | 14 | 3,000 | 10,010 | 2,860 | 11.00 | 11.00 |
| 11.50%2035A | 12/23/2015 | 3/15/2035 | 19 | 6,000 | 15,430 | 2,930 | 11.50 | 11.45 |
| 09.50%2020A | 12/30/2015 | 12/15/2020 | 5 | 2,000 | 7,650 | 2,150 | 09.50 | 9.79 |
| 11.20%2023A | 12/30/2015 | 9/1/2023 | 8 | 3,000 | 10,990 | 3,140 | 11.20 | 10.82 |
| 11.00%2025A | 12/30/2015 | 8/1/2025 | 10 | 5,000 | 14,215 | 1,610 | 11.00 | 10.94 |

Source: Central Bank of Sri Lanka

(a) Effect from May 3, 2002, Government imposed a 10% withholding tax on interest of Government Securities. The rates quoted are adjusted for withholding tax.

COST OF BORROWING

TABLE 25

TREASURY BILL AUCTIONS IN 2015

| Issue Date | Amount Offered (Rs. million.) | | | Bids Received (Rs. million.) | | | Amount Accepted (Rs. million.) | | | Weighted Average Yield Rates (a) | | |
|------------|----------------------------------|----------|----------|---------------------------------|----------|----------|-----------------------------------|----------|----------|-------------------------------------|----------|----------|
| | 91 Days | 182 Days | 364 Days | 91 Days | 182 Days | 364 Days | 91 Days | 182 Days | 364 Days | 91 Days | 182 Days | 364 Days |
| 2-Jan | 2,000 | - | 7,000 | 7,410 | - | 23,425 | 4,175 | - | 10,960 | 5.74 | - | 6.01 |
| 9-Jan | 2,000 | 3,000 | 5,930 | 5,332 | 5,930 | 1,785 | 3,442 | 1,785 | 6,670 | 5.76 | 5.86 | 6.00 |
| 16-Jan | 2,000 | 3,000 | 8,922 | 13,550 | 8,922 | 4,412 | 8,280 | 4,412 | 7,093 | 5.79 | 5.89 | 6.04 |
| 23-Jan | 1,500 | 2,500 | 7,270 | 7,050 | 7,270 | 3,658 | 4,029 | 3,658 | 3,204 | 5.80 | 5.90 | 6.05 |
| 30-Jan | 2,000 | 3,000 | 8,568 | 11,937 | 8,568 | 3,138 | 5,699 | 3,138 | 3,834 | 5.80 | 5.90 | 6.05 |
| 6-Feb | 2,000 | 3,000 | 5,660 | 12,028 | 5,660 | 1,325 | 5,103 | 1,325 | 3,441 | 5.82 | 5.90 | 6.05 |
| 13-Feb | 2,000 | 3,000 | 9,430 | 8,930 | 9,430 | 5,355 | 5,130 | 5,355 | 3,259 | 5.88 | 5.98 | 6.10 |
| 20-Feb | 2,000 | 3,000 | 7,016 | 6,111 | 7,016 | 2,391 | 3,411 | 2,391 | 2,732 | 5.94 | 6.03 | 6.12 |
| 27-Feb | 3,000 | 3,000 | 9,895 | 10,299 | 9,895 | 3,445 | 2,874 | 3,445 | 4,770 | 5.98 | 6.09 | 6.13 |
| 6-Mar | 3,000 | 5,000 | 9,190 | 9,995 | 9,190 | 1,230 | 7,622 | 1,230 | 7,687 | 6.89 | 6.98 | 6.99 |
| 13-Mar | 6,000 | 6,000 | 18,468 | 45,431 | 18,468 | 12,708 | 15,079 | 12,708 | 4,855 | 7.10 | 7.31 | 7.37 |
| 20-Mar | 4,000 | 5,000 | 20,093 | 24,557 | 20,093 | 6,913 | 5,787 | 6,913 | 11,213 | 6.79 | 6.87 | 6.99 |
| 27-Mar | 4,000 | 5,000 | 17,472 | 18,534 | 17,472 | 6,707 | 4,000 | 6,707 | 10,850 | 6.60 | 6.70 | 6.80 |
| 3-Apr | 5,000 | 6,000 | 14,741 | 16,172 | 14,741 | 6,976 | 2,185 | 6,976 | 12,330 | 6.55 | 6.68 | 6.76 |
| 10-Apr | 3,000 | 10,000 | 20,150 | 8,716 | 20,150 | 11,200 | 4,121 | 11,200 | 10,434 | 6.56 | 6.83 | 6.90 |
| 17-Apr | 4,000 | 8,000 | 26,300 | 17,185 | 26,300 | 7,838 | 277 | 7,838 | 17,483 | 6.26 | 6.53 | 6.60 |
| 24-Apr | 4,000 | 9,000 | 35,610 | 20,435 | 35,610 | 10,950 | 9,850 | 10,950 | 13,735 | 6.19 | 6.35 | 6.50 |
| 1-May | 3,000 | 6,000 | 23,100 | 24,341 | 23,100 | 10,610 | 9,085 | 10,610 | 5,715 | 6.15 | 6.32 | 6.39 |
| 8-May | 3,000 | 7,000 | 29,788 | 19,061 | 29,788 | 12,488 | 9,006 | 12,488 | 10,762 | 6.12 | 6.26 | 6.35 |
| 15-May | 4,000 | 7,000 | 31,333 | 18,951 | 31,333 | 22,384 | 10,344 | 22,384 | 6,154 | 6.10 | 6.22 | 6.31 |
| 22-May | 4,000 | 6,000 | 26,107 | 18,624 | 26,107 | 11,147 | 11,129 | 11,147 | 6,035 | 6.08 | 6.19 | 6.31 |
| 29-May | 5,000 | 6,000 | 21,148 | 19,049 | 21,148 | 13,468 | 10,102 | 13,468 | 4,332 | 6.07 | 6.18 | 6.29 |
| 5-Jun | 8,000 | 8,000 | 20,913 | 19,629 | 20,913 | 7,600 | 6,632 | 7,600 | 3,424 | 6.07 | 6.18 | 6.29 |
| 12-Jun | 5,000 | 7,000 | 13,799 | 19,770 | 13,799 | 5,997 | 13,974 | 5,997 | 5,712 | 6.08 | 6.18 | 6.29 |
| 19-Jun | 5,000 | 7,000 | 19,727 | 21,185 | 19,727 | 6,737 | 14,905 | 6,737 | 3,225 | 6.08 | 6.18 | 6.28 |
| 26-Jun | 2,000 | 10,000 | 19,618 | 9,115 | 19,618 | 7,012 | 1,583 | 7,012 | 6,072 | 6.08 | 6.18 | 6.28 |
| 3-Jul | 5,000 | 6,000 | 14,170 | 17,750 | 14,170 | 6,055 | 12,175 | 6,055 | 845 | 6.11 | 6.21 | 6.28 |
| 10-Jul | 8,000 | 6,000 | 25,780 | 37,428 | 25,780 | 10,623 | 12,918 | 10,623 | 802 | 6.14 | 6.26 | 6.28 |
| 17-Jul | 4,000 | 8,000 | 19,324 | 20,654 | 19,324 | 6,174 | 12,954 | 6,174 | 800 | 6.22 | 6.31 | 6.31 |
| 24-Jul | 6,000 | 9,000 | 26,548 | 37,276 | 26,548 | 11,188 | 16,196 | 11,188 | 3,341 | 6.25 | 6.38 | 6.39 |
| 31-Jul | 5,000 | 7,000 | 20,177 | 23,547 | 20,177 | 9,627 | 12,762 | 9,627 | 4,064 | 6.28 | 6.43 | 6.48 |
| 7-Aug | - | 8,000 | 37,049 | - | 37,049 | 16,926 | - | 16,926 | 4,328 | - | 6.50 | 6.54 |
| 14-Aug | - | 8,000 | 28,093 | - | 28,093 | 18,568 | - | 18,568 | 3,395 | - | 6.57 | 6.63 |
| 21-Aug | 2,000 | 6,000 | 12,475 | 5,683 | 12,475 | 3,725 | 255 | 3,725 | 1,068 | 6.36 | 6.66 | 6.72 |
| 28-Aug | 3,000 | 5,000 | 10,945 | 10,624 | 10,945 | 5,395 | 8,524 | 5,395 | 3,425 | 6.53 | 6.87 | 6.97 |
| 4-Sep | 3,000 | 4,000 | 9,902 | 9,965 | 9,902 | 1,281 | 1,520 | 1,281 | 1,115 | 6.79 | 7.07 | 7.17 |
| 11-Sep | 6,000 | 8,000 | 16,727 | 13,249 | 16,727 | - | - | - | - | - | - | - |
| 18-Sep | 6,000 | 8,000 | 16,618 | 17,481 | 16,618 | - | 4,973 | - | 598 | 6.79 | - | 7.17 |
| 25-Sep | 4,000 | 7,000 | 14,392 | 27,685 | 14,392 | 2,763 | 22,545 | 2,763 | 3,026 | 6.78 | 7.07 | 7.18 |
| 2-Oct | 4,000 | 7,000 | 12,538 | 16,618 | 12,538 | 617 | 5,261 | 617 | - | 6.78 | 7.07 | - |
| 9-Oct | 4,000 | 8,000 | 13,911 | 15,158 | 13,911 | 1,669 | 6,471 | 1,669 | 1,616 | 6.78 | 7.07 | 7.18 |
| 16-Oct | 5,000 | 8,000 | 16,759 | 24,449 | 16,759 | 4,809 | 12,546 | 4,809 | 6,625 | 6.73 | 7.04 | 7.10 |
| 23-Oct | 5,000 | 9,000 | 30,583 | 28,896 | 30,583 | 18,208 | 9,856 | 18,208 | 5,257 | 6.71 | 7.03 | 7.10 |
| 30-Oct | 3,000 | 9,000 | 33,724 | 30,827 | 33,724 | 17,454 | 3,000 | 17,454 | 2,645 | 6.61 | 6.99 | 7.06 |
| 6-Nov | 2,000 | 5,000 | 53,960 | 29,734 | 53,960 | 16,000 | 6,000 | 16,000 | 3,537 | 6.44 | 6.87 | 7.00 |
| 13-Nov | - | 8,000 | 65,727 | - | 65,727 | - | - | - | 5,780 | - | - | 6.94 |
| 20-Nov | - | 6,000 | 95,516 | - | 95,516 | 8,097 | - | 8,097 | 4,332 | - | 6.50 | 6.93 |
| 27-Nov | - | 9,000 | 58,900 | - | 58,900 | 26,204 | - | 26,204 | 4,662 | - | 6.40 | 6.92 |
| 4-Dec | 2,000 | 2,000 | 13,030 | 19,015 | 13,030 | 4,615 | 1,830 | 4,615 | 3,525 | 6.06 | 6.30 | 6.86 |
| 11-Dec | 2,000 | 8,000 | 17,041 | 10,190 | 17,041 | 7,841 | 7,995 | 7,841 | 8,975 | 6.10 | 6.35 | 6.92 |
| 18-Dec | 3,000 | 7,000 | 12,250 | 15,732 | 12,250 | 2,480 | 12,317 | 2,480 | 1,046 | 6.28 | 6.54 | 7.01 |
| 25-Dec | 4,000 | 6,000 | 12,255 | 14,853 | 12,255 | 4,060 | 4,383 | 4,060 | 1,542 | 6.38 | 6.69 | 7.11 |

Source: Central Bank of Sri Lanka

(a) Effect from May 3, 2002, Government imposed a 10% withholding tax on interest of government securities. The rates quoted are adjusted for withholding tax.

COST OF BORROWING

TABLE 26

SRI LANKA DEVELOPMENT BONDS AUCTIONS IN 2015

| Date of Issue | Amount Accepted (USD. million.) | Maturity Period (Years) | Weighted Average Margin | Date of Issue | Amount Accepted (USD. million.) | Maturity Period (Years) | Weighted Average Margin |
|---------------|---------------------------------|-------------------------|-------------------------|---------------|---------------------------------|-------------------------|-------------------------|
| 1/21/2015 | 250.00 | 1.00 | 3.15 | 6/29/2015 | 25.00 | 1.84 | 3.45 |
| 1/21/2015 | 55.00 | 3.00 | 3.50 | 6/29/2015 | 105.00 | 1.84 | 3.50 |
| 1/26/2015 | 50.00 | 1.08 | 3.25 | 6/29/2015 | 2.00 | 3.59 | 3.60 |
| 2/13/2015 | 25.00 | 0.51 | 3.25 | 6/29/2015 | 1.00 | 3.59 | 3.65 |
| 2/18/2015 | 50.00 | 0.50 | 3.25 | 6/29/2015 | 10.00 | 3.59 | 3.70 |
| 2/23/2015 | 25.00 | 0.48 | 3.20 | 6/29/2015 | 5.00 | 3.59 | 3.74 |
| 2/24/2015 | 20.00 | 0.48 | 3.25 | 6/29/2015 | 5.00 | 3.59 | 3.79 |
| 2/25/2015 | 35.00 | 1.08 | 3.15 | 6/29/2015 | 2.00 | 3.59 | 3.80 |
| 2/26/2015 | 10.00 | 1.08 | 3.15 | 6/29/2015 | 5.00 | 3.59 | 3.84 |
| 3/16/2015 | 10.00 | 3.00 | 3.55 | 6/29/2015 | 5.00 | 3.59 | 3.89 |
| 3/16/2015 | 12.00 | 3.00 | 3.60 | 6/29/2015 | 10.00 | 5.01 | 4.05 |
| 3/16/2015 | 12.00 | 3.00 | 3.65 | 6/29/2015 | 10.00 | 5.01 | 4.10 |
| 3/16/2015 | 10.00 | 3.00 | 3.70 | 6/29/2015 | 17.00 | 5.01 | 4.15 |
| 3/16/2015 | 74.50 | 3.00 | 3.75 | 7/15/2015 | 2.00 | 1.10 | 3.10 |
| 3/16/2015 | 1.00 | 3.00 | 3.80 | 7/15/2015 | 3.00 | 1.10 | 3.12 |
| 3/16/2015 | 4.00 | 3.00 | 3.85 | 7/15/2015 | 5.00 | 1.10 | 3.16 |
| 3/16/2015 | 6.00 | 3.00 | 3.90 | 7/15/2015 | 4.00 | 1.10 | 3.20 |
| 3/16/2015 | 13.00 | 3.00 | 3.95 | 7/15/2015 | 2.00 | 1.10 | 3.23 |
| 3/16/2015 | 9.00 | 3.00 | 4.00 | 7/15/2015 | 2.00 | 1.10 | 3.24 |
| 3/16/2015 | 1.00 | 3.00 | 4.05 | 7/15/2015 | 72.00 | 1.10 | 3.25 |
| 3/16/2015 | 4.00 | 3.00 | 4.10 | 7/15/2015 | 4.00 | 1.10 | 3.26 |
| 4/1/2015 | 100.00 | 5.01 | 4.05 | 7/15/2015 | 2.00 | 1.10 | 3.28 |
| 4/30/2015 | 5.00 | 2.00 | 3.55 | 7/15/2015 | 2.00 | 1.10 | 3.29 |
| 4/30/2015 | 20.00 | 2.00 | 3.60 | 7/15/2015 | 82.00 | 1.10 | 3.30 |
| 4/30/2015 | 5.00 | 2.00 | 3.65 | 7/15/2015 | 2.00 | 1.10 | 3.32 |
| 4/30/2015 | 10.00 | 3.00 | 3.75 | 7/15/2015 | 17.00 | 1.10 | 3.34 |
| 4/30/2015 | 31.25 | 3.00 | 3.77 | 7/15/2015 | 25.00 | 1.10 | 3.35 |
| 4/30/2015 | 10.00 | 3.00 | 3.80 | 7/15/2015 | 2.00 | 1.10 | 3.36 |
| 6/1/2015 | 5.00 | 1.08 | 3.11 | 7/15/2015 | 2.00 | 1.10 | 3.38 |
| 6/1/2015 | 5.00 | 1.08 | 3.12 | 7/15/2015 | 20.00 | 1.10 | 3.39 |
| 6/1/2015 | 5.00 | 1.08 | 3.13 | 7/15/2015 | 28.00 | 1.10 | 3.40 |
| 6/1/2015 | 3.00 | 1.08 | 3.14 | 7/15/2015 | 15.00 | 1.10 | 3.44 |
| 6/1/2015 | 250.50 | 1.08 | 3.15 | 7/16/2015 | 10.00 | 2.79 | 3.60 |
| 6/1/2015 | 60.50 | 1.08 | 3.25 | 8/3/2015 | 5.00 | 2.00 | 3.55 |
| 6/1/2015 | 6.00 | 2.92 | 3.50 | 8/3/2015 | 10.00 | 2.00 | 3.60 |
| 6/1/2015 | 2.00 | 2.92 | 3.60 | 8/3/2015 | 10.25 | 2.00 | 3.65 |
| 6/1/2015 | 1.00 | 2.92 | 3.65 | 8/3/2015 | 30.00 | 2.00 | 3.69 |
| 6/29/2015 | 3.00 | 1.84 | 3.21 | 8/3/2015 | 10.00 | 1.25 | 3.30 |
| 6/29/2015 | 3.00 | 1.84 | 3.22 | 8/3/2015 | 2.00 | 1.25 | 3.35 |
| 6/29/2015 | 12.00 | 1.84 | 3.25 | 8/3/2015 | 45.25 | 1.25 | 3.40 |
| 6/29/2015 | 1.00 | 1.84 | 3.28 | 8/3/2015 | 13.50 | 1.25 | 3.45 |
| 6/29/2015 | 10.00 | 1.84 | 3.29 | 8/3/2015 | 1.00 | 1.25 | 3.46 |
| 6/29/2015 | 60.00 | 1.84 | 3.30 | 8/3/2015 | 1.25 | 1.25 | 3.48 |
| 6/29/2015 | 3.00 | 1.84 | 3.32 | 8/3/2015 | 15.00 | 1.25 | 3.49 |
| 6/29/2015 | 2.00 | 1.84 | 3.33 | 8/3/2015 | 22.00 | 1.25 | 3.50 |
| 6/29/2015 | 1.00 | 1.84 | 3.34 | 8/18/2015 | 3.00 | 1.58 | 3.20 |
| 6/29/2015 | 16.00 | 1.84 | 3.35 | 8/18/2015 | 4.00 | 1.58 | 3.25 |
| 6/29/2015 | 1.00 | 1.84 | 3.36 | 8/18/2015 | 4.00 | 1.58 | 3.30 |
| 6/29/2015 | 1.00 | 1.84 | 3.38 | 8/18/2015 | 4.00 | 1.58 | 3.35 |
| 6/29/2015 | 1.00 | 1.84 | 3.39 | 8/18/2015 | 38.00 | 1.58 | 3.50 |
| 6/29/2015 | 11.00 | 1.84 | 3.40 | 8/18/2015 | 2.00 | 1.58 | 3.53 |

COST OF BORROWING

TABLE 26; Contd.

SRI LANKA DEVELOPMENT BONDS AUCTIONS IN 2015

| Date of Issue | Amount Accepted (USD. million.) | Maturity Period (Years) | Weighted Average Margin |
|---------------|---------------------------------|-------------------------|-------------------------|
| 8/18/2015 | 0.10 | 1.58 | 3.55 |
| 8/18/2015 | 2.00 | 1.58 | 3.57 |
| 8/18/2015 | 1.00 | 1.58 | 3.59 |
| 8/18/2015 | 7.00 | 1.58 | 3.60 |
| 8/18/2015 | 1.00 | 1.58 | 3.61 |
| 8/18/2015 | 1.00 | 1.58 | 3.63 |
| 8/18/2015 | 11.00 | 1.58 | 3.65 |
| 8/18/2015 | 3.00 | 2.43 | 3.56 |
| 8/18/2015 | 3.00 | 2.43 | 3.60 |
| 8/18/2015 | 3.00 | 2.43 | 3.62 |
| 8/18/2015 | 3.00 | 2.43 | 3.65 |
| 8/18/2015 | 3.00 | 2.43 | 3.68 |
| 8/18/2015 | 19.00 | 2.43 | 3.70 |
| 8/18/2015 | 33.00 | 2.43 | 3.75 |
| 8/18/2015 | 17.27 | 2.43 | 3.80 |
| 8/18/2015 | 10.00 | 2.43 | 3.84 |
| 10/19/2015 | 50.00 | 4.70 | 4.05 |
| 10/19/2015 | 2.50 | 3.28 | 3.70 |
| 10/19/2015 | 20.00 | 1.00 | 3.25 |
| 10/19/2015 | 20.00 | 1.00 | 3.30 |
| 10/19/2015 | 125.00 | 1.00 | 3.35 |
| 10/19/2015 | 112.50 | 1.00 | 3.40 |

Source: Central Bank of Sri Lanka

SECONDARY MARKET OPERATIONS

TABLE 27

SECONDARY MARKET TRANSACTIONS AS REPORTED BY PRIMARY DEALERS

| | Rs. million | | | | | | |
|-----------------------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|---------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 ^(a) |
| 1. Outright Transactions | 1,743,780 | 1,449,390 | 1,268,287 | 1,584,095 | 2,070,161 | 3,839,729 | 3,600,396 |
| 1.1. Treasury bills | | | | | | | |
| Purchased | 210,284 | 177,902 | 239,168 | 374,597 | 345,516 | 322,216 | 228,769 |
| Sold | 526,246 | 574,842 | 398,622 | 672,438 | 683,458 | 710,446 | 689,602 |
| Total | 736,530 | 752,744 | 637,790 | 1,047,035 | 1,028,973 | 1,032,662 | 918,371 |
| 1.2. Treasury bonds | | | | | | | |
| Purchased | 465,616 | 344,567 | 326,589 | 259,999 | 509,585 | 1,370,621 | 1,181,721 |
| Sold | 541,634 | 352,079 | 303,908 | 277,061 | 531,603 | 1,436,446 | 1,500,304 |
| Total | 1,007,250 | 696,646 | 630,497 | 537,060 | 1,041,187 | 2,807,067 | 2,682,025 |
| 2. Repurchase Transactions | 4,715,910 | 4,992,887 | 5,915,725 | 6,246,422 | 10,235,395 | 8,223,558 | 11,813,213 |
| 2.1. Treasury bills | | | | | | | |
| Repo | 1,015,066 | 1,217,880 | 1,215,200 | 1,510,151 | 2,078,440 | 1,319,875 | 2,327,241 |
| Reverse repo | 172,238 | 177,882 | 159,057 | 219,855 | 650,290 | 436,778 | 810,889 |
| Total | 1,187,304 | 1,395,762 | 1,374,257 | 1,730,006 | 2,728,731 | 1,756,653 | 3,138,130 |
| 2.2 Treasury bonds | | | | | | | |
| Repo | 2,757,851 | 2,877,407 | 3,936,271 | 3,989,074 | 6,761,249 | 5,409,509 | 6,720,895 |
| Reverse repo | 770,755 | 719,718 | 605,196 | 527,341 | 745,416 | 1,057,396 | 1,954,188 |
| Total | 3,528,606 | 3,597,125 | 4,541,468 | 4,516,416 | 7,506,664 | 6,466,905 | 8,675,083 |
| 3. Total Transactions | 6,459,690 | 6,442,277 | 7,184,012 | 7,830,517 | 12,305,556 | 12,063,287 | 15,413,609 |

Source: Central Bank of Sri Lanka

(a) Provisional.

TABLE 28

SECONDARY MARKET TRANSACTIONS RECORDED IN THE LANKASECURE ^(a)

| | Rs. million | | | |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2012 | 2013 | 2014 | 2015 |
| 1 Treasury bills | | | | |
| 1.1 Outright Purchases / Sales | 2,472,283 | 2,509,156 | 1,547,014 | 1,357,827 |
| 1.2 Repo / Rev. Repo | 13,915,619 | 14,479,945 | 13,513,736 | 8,731,226 |
| Total | 16,387,902 | 16,989,101 | 15,060,750 | 10,089,053 |
| 2 Treasury bonds | | | | |
| 2.1 Outright Purchases / Sales | 1,769,980 | 3,474,859 | 4,158,537 | 4,020,581 |
| 2.2 Repo / Rev. Repo | 17,284,906 | 15,780,297 | 19,223,122 | 34,385,232 |
| Total | 19,054,886 | 19,255,156 | 23,381,659 | 38,405,813 |
| Total Transactions | 35,442,788 | 36,244,257 | 38,442,409 | 48,494,866 |

Source: Central Bank of Sri Lanka

(a) Note:

- All transactions have been recorded in the LankaSecure System in Face Value basis.
- Accuracy of the information is subject to the accuracy of the data recorded by the system participants in the LankaSecure System.