



Democratic Socialist Republic of Sri Lanka

**Sri Lanka Nation Building Bonds
Terms of Offer**

Issuing Office

Central Bank of Sri Lanka

Public Debt Department
30, Janadhipathi Mawatha
Colombo 1

Sri Lanka

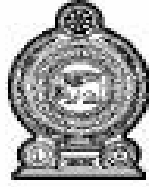
3rd February 2006

Telephone : 94-11-2477273
Fax : 94-11-2477718 / 9
Email : pddrbw@cbsl.lk
Website : www.centralbanklanka.org

SRI LANKA NATION BUILDING BONDS

Main Features

Issuer	Democratic Socialist Republic of Sri Lanka
Currency	US Dollars / Sterling Pounds / Euros
Size of Issue	US Dollars 25 Million and will be kept on tap for 182 days from 6 th February 2006 to 7 th August 2006
Type of Security	Bond
Tenure	5 years
Issuance	Tap Issue, Scripless Form
Interest Rate	Rates of 5 year tenure of US Government Securities or UK Government Securities or German Government Securities as applicable
Interest Payments	Semi-Annually
Minimum Investment	US Dollars 500 / Sterling Pounds 250 / Euros 500
Transferability	By electronic book entry
Eligible Investors	Sri Lankans who have made their permanent residence overseas (Non-residents); Citizens of Sri Lanka who have taken up overseas employment / set up business; Citizens of Sri Lanka with dual citizenship; Sri Lankan professionals living in Sri Lanka or abroad who earn foreign currency; Banks acting in fiduciary capacity on behalf of above categories.
Tax	Free of any tax and with incentives
Issuing Office	On behalf of the Issuer, the Superintendent of Public Debt (SPD), Public Debt Department, No 30, Janadhipathi Mawatha, Central Bank of Sri Lanka, Colombo 1, Sri Lanka
Custodian Bank	Deutsche Bank AG, Colombo Branch, No 86, Galle Road, Colombo 3, Sri Lanka
Lead Manager	Bank of Ceylon, No 4, Bank of Ceylon Mawatha, Colombo 1, Sri Lanka
Paying Method	Through the Custodian Bank, as instructed by investors
Governing Law	Sri Lankan Law



Democratic Socialist Republic of Sri Lanka
Offer of US Dollars 25 million Sri Lanka Nation Building Bonds

This offer is made in terms of the Foreign Loans Act No. 29 of 1957.

Sri Lanka Nation Building Bonds (SLNBBs) are offered by the Government of Sri Lanka (the Issuer) to investors as specified in paragraph 1 of the Schedule hereto (Eligible Investors).

The Central Bank of Sri Lanka (CBSL) has granted the requisite permission under the Exchange Control Act No. 24 of 1953 for the issue of SLNBBs and for all transactions in and relating to SLNBBs specified in this Terms of Offer.

The SLNBBs shall be issued in Sri Lanka only and shall be subject to the terms and conditions in the Schedule hereto.

Schedule

1. Eligible Investors

The following categories of persons are eligible to invest in SLNBBs :

- (a) Sri Lankans who have made their permanent residence overseas (Non-residents);
- (b) Citizens of Sri Lanka who have taken up overseas employment / set up business;
- (c) Citizens of Sri Lanka with dual citizenship;
- (d) Sri Lankan professionals living in Sri Lanka or abroad who earn foreign currency;
- (e) Banks acting in fiduciary capacity on behalf of above categories.

Photocopies or scanned copies of pages containing the photograph and the details of the holder of the Passport, proof of working abroad, Birth Certificate if the name in the passport is different from the name used in Sri Lanka and proof of earning foreign currency in the case of professionals working in Sri Lanka but earning in foreign currencies as may be relevant have to be provided to confirm the eligibility.

However, it is the responsibility of investors to be mindful of the laws and regulations in the countries where they reside and the Issuer is not liable for any act or omission made by the investor on that behalf.

2. Currency, Minimum Investment and Title

(i) Currency and Minimum Investment

The investments should be in currencies specified below which have following minimum investment amounts or above.

<u>Currency</u>	<u>Minimum Investment</u>
US Dollars	500
Sterling Pounds	250
Euros	500

(ii) Title

Title to an SLNBB shall vest in the Registered Holder of the SLNBB and shall pass by electronic book entries through the Custodian Bank on a request made by the Registered Holder.

3. Status

The SLNBBs and interest due thereon are direct, unconditional, general, unsecured obligations of the Issuer and rank and shall rank pari passu without any preference among themselves with all other outstanding unsecured and unsubordinated obligations of the Issuer present and future.

4. **Tenure**

The tenure of the SLNBBs shall be 5 years.

5. **Arrangements for Custodian Bank and Lead Manager**

(i) Custodian Bank

The CBSL has appointed Deutsche Bank AG, Colombo Branch, No. 86, Galle Road, Colombo 3, Sri Lanka as the Custodian Bank for the Issue.

(ii) Lead Manager

The CBSL has appointed Bank of Ceylon, No 4, Bank of Ceylon Mawatha, Colombo 1, Sri Lanka as the Lead Manager for the Issue.

6. **Issuance Method**

SLNBBs are issued in scripless form on a tap basis which means once an offer is floated, it is open until the offer is fully subscribed or the Issuer decides to close the offer. The Custodian Bank will maintain an electronic database on Registered Holders of SLNBBs and will issue statements in occurrence of any transaction and / or in each six month period with holding details to Registered Holders.

7. **Interest**

(i) **Interest Payments**

Interest shall be payable in arrears semi-annually from the Date of Issue until the Maturity Date of an SLNBBs. Date of Issue will be the date on which the Issuer opens the offer for Eligible Investors. However, the first interest payment period will be the period from the Date of Subscription to the day prior to the first Interest Payment Date. Date of Subscription will be the date on which the funds are credited to the Custodian Bank account by the investor. If any Interest Payment Date falls on a day which is not a Business Day, payment shall be postponed to the next Business Day. Business Day means a day on which banks are open for business in Sri Lanka.

(ii) **Interest Payment Dates**

The first Interest Payment Date shall be six (6) months from the Date of Issue. If an investment is made on a day after the Issue Date of the initial offer, the interest will be paid only for the number of days from the Date of Subscriptions to the first / next Interest Payment Date.

The subsequent Interest Payment Date shall be six (6) months from the previous Interest Payment Date. The final Interest Payment date shall be the Maturity Date of the Bond.

e.g. If the Date of Issue of an SLNBB is 06th February 2006, the Interest Payment Dates and the Maturity Date shall be as follows:

<u>Interest Payment/Maturity</u>	<u>Date</u>
First Interest Payment Date	06 th August, 2006
Second Interest Payment Date	06 th February, 2007
Third Interest Payment Date	06 th August, 2007
Fourth Interest Payment Date	06 th February, 2008
Fifth Interest Payment Date	06 th August, 2008
Sixth Interest Payment Date	06 th February, 2009
Seventh Interest Payment Date	06 th August, 2009
Eighth Interest Payment Date	06 th February, 2010
Ninth Interest Payment Date	06 th August, 2010
Tenth Interest Payment Date/Maturity Date	06 th February, 2011

(iii) Interest Period

The "Interest Period" is the period from the Date of Subscription to the date prior to the first Interest Payment Date for the first interest payment. In case of each successive interest payments the "Interest Period" is the period including previous interest payment date to the date prior to the next Interest Payment Date.

(iv) Rate of Interest

The rate of interest payable on the SLNBs shall be the average of month end rates during six months prior to Interest Payment Dates of 5 year tenure of US Government Securities (for US \$ Dollars), UK Government Securities (for Sterling Pounds) or German Government Securities (for Euros).

(v) Payment of Interest

Interest will be paid by the SPD on behalf of the Issuer through the Custodian Bank on the Interest Payment Dates as specified in (ii) above to a designated bank account based on the instructions given by the Registered Holder in the Application submitted.

8. Application

Applications of Eligible Investors under sub clauses (a) to (d) of clause 1 shall be submitted to Superintendent of Public Debt, Public Debt Department, Central Bank of Sri Lanka, No 30, Janadhipathy Mawatha, Colombo 1, Sri Lanka through e-mail or fax with funds transferred to the accounts of which the details are given in clause 9 below.

E-mail to : pddrbw@cbsl.lk

Fax to : 94 -11- 2477718 / 9

The Issuer reserves the right to accept or reject any application in full or in part without assigning any reason. If the application has been rejected the subscription credited will be refunded to the investor through the investor's bank account as indicated in the application. Applications can be downloaded from CBSL Website www.centralbanklanka.org or Bank of Ceylon Website www.boc.lk or Deutsche Bank Website www.ap.db.com/srilanka. A duly signed application should be forwarded subsequently to reach the Superintendent of Public Debt, Public Debt Department, Central Bank of Sri Lanka, No 30, Janadhipathy Mawatha, Colombo 1, Sri Lanka if the original application was forwarded through e-mail or fax.

9. Subscriptions for SLNBs

Eligible Investors shall make subscriptions by crediting relevant accounts of the Custodian Bank as given below. If funds are transferred via bank draft or directly crediting the respective account(s), indicate the purpose as "Subscription to the Government of Sri Lanka, Sri Lanka Nation Building Bonds".

Currency	Account Number	Name of the Bank	Postal Address
US Dollars	04-422-614 DB Colombo	Deutsche Bank Trust Co, Americas, New York (SWIFT : BKTRUS33)	P.O. Box 318, Church Street Station, N.Y., New York 10008-0318
Sterling Pounds	0341743-0000-GBP-000-LDN DB Colombo	Deutsche Bank, London (SWIFT : DEUTGB2L)	6, Bishopsgate, P.O. Box 441, London EC 2P 2AT, England
Euros	9572900 DB Colombo	Deutsche Bank, Frankfurt (SWIFT : DEUTDEFF)	TZE – Bankenabteilung, Postfach 5223, D-6236 Eschborn, Germany

10. Allotment, Issue and Delivery

The SLNBs shall be allotted and issued to applicants whose applications have been accepted in accordance with provisions of clause 8 and who have duly made subscriptions as specified in clause 9 above. The Custodian Bank shall issue a notification confirming the transaction to the investor.

11. Repatriation

The principal sum repaid on an SLNBB and interest on an SLNBB can be fully repatriated.

12. Repayment of Principal and Payment of Interest

All payments of interest and repayment of principal on the SLNBBs shall be made by the SPD on behalf of the Issuer through the Custodian Bank in accordance with the last duly intimated instructions given by the Registered Holder for payments. Applicant must clearly indicate in the Item 3 of the Application the currency in which the principal repayment and /or interest payment should be made and the relevant account details. Investors are eligible to receive payments in invested currency or in Sri Lanka Rupees at the discretion of the investor. The procedure applied in payment of interest and principal repayment are as follows ;

- (a) The principal repayment and the interest payment on SLNBBs will be made as instructed by the investor in the Application.
- (b) The principal sum on an SLNBB will be repaid on the Maturity Date of the Bond.
- (c) Interest will be paid by the SPD on behalf of the Issuer through the Custodian Bank on each Interest Payment Date, in accordance with the last duly intimated instructions for payment, to the person to whom the SLNBB is issued unless a Joint Holder / Transferee (please refer clause 13 and 15 below for details) has been registered in the Custodian Bank.
- (d) The repayment of principal shall be made by the SPD on behalf of the Issuer through the Custodian Bank in accordance with the last duly intimated instructions for payment, to the person to whom the SLNBB is issued unless a Transferee / Joint Holder has been registered in the Custodian Bank.
- (e) In the event of a transfer having been registered in terms of clause 15 below, principal and /or interest, as the case may be, shall be paid to the registered transferee by the SPD on behalf of the Issuer through the Custodian Bank in accordance with the information recorded in the Custodian Bank.
- (f) Any variation in payment instructions shall be communicated to the Superintendent of Public Debt, Public Debt Department, Central Bank of Sri Lanka, No. 30, Janadhipathi Mawatha, Colombo 1, Sri Lanka in writing signed by the Registered Holder at least five (05) Business Days prior to the next Interest Payment Date.
- (g) The Issuer is not liable for any interest payment after the Maturity Date of the Bond.

13. Joint Holdings

An applicant can register one individual as a Joint Holder to whom payment of interest and/or repayment of principal may be made on the SLNBBs. The Joint Holder should be an Eligible Investor under (a) to (d) of clause 1 of this Terms of Offer. In order to make relevant payments to the Joint Holder, the Applicant should indicate his / her consent to do so on a subsequent Application for a Joint Holder that can be downloaded from the CBSL website and should be submitted to the SPD. Particulars of such Joint Holder, if any and payment instructions in respect of such Joint Holder shall be given in the Application for Joint Holder. Repayment of principal and payment of interest shall be made only to the person whose name recorded first on the record and to the surviving holder in case of the demise of the first holder.

14. Nomination Facility

A Registered Holder / and Joint Holder (if any) who is/are the sole individual Registered Holder/s of an SLNBBs may register a nominee to whom repayment of principal and payment of interest may be made on the SLNBBs in the event of the demise of both the first holder and the Joint Holder. The Nominee may be a legal heir residing in Sri Lanka or in a foreign country. Particulars of such nominee, if any, and payment instructions in respect of such nominee shall be given a subsequent Application for Nominee, can be downloaded from the CBSL website and shall be submitted to the SPD. The Issuer shall be entitled to make payment of interest and repayment of principal on the SLNBBs to such nominee registered in the Custodian Bank on satisfying of the demise of the Registered Holder and the Joint Holder if any, and the Issuer shall upon such payment be discharged of all its liabilities on the SLNBBs.

15. Transfer

SLNBBs may be transferred to an Eligible Investor under (a) to (d) of clause 1 of the Terms of offer. Transfers shall be effected by electronic book entries in the Custodian Bank while notifying the transfer by serving on the Superintendent of Public Debt, Public Debt Department, Central Bank of Sri Lanka, No 30, Janadhipathi Mawatha, Colombo 1, Sri Lanka by a duly executed Notice of Transfer on a form which can be downloaded from the CBSL website.

A transferee shall be entitled to be registered only if a duly executed Notice of Transfer is served on the SPD at the above address to reach him / her at least five (05) Business Days prior to the next Interest Payment Date. The Custodian Bank will issue a statement confirming the transfer to the new Registered Holder.

16. Tax treatment

All payments in respect of the SLNBBs shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") imposed or levied by or on behalf of the Government of Sri Lanka, or any political sub-division of, or any authority in, or of, Sri Lanka having power to tax. In the event an Eligible Investor is resident in Sri Lanka or is deemed resident in Sri Lanka for purposes of the tax laws of Sri Lanka and is, therefore, liable to income tax in Sri Lanka, such Eligible Investor shall be entitled to be reimbursed by the Issuer the sum paid by way of income tax on interest income on the SLNBBs and any capital gains tax arising from the transfer of the SLNBBs. Eligible Investor is entitled to import a vehicle by the payment, by way of taxes of 25% of the taxes otherwise payable, subject to the condition that the Cost, Insurance and Freight (CIF) value of the vehicle does not exceed 20% of the sum invested.

17. Stamp Duty

Stamp Duty Act No.13 of 1982 exempts from the payment of stamp duty any instrument executed by or on behalf of the Government.

18. Prescription

A claim for any payment on an SLNBB shall become prescribed upon the expiry of ten (10) years from the date on which such payment becomes due.

19. Jurisdiction

The courts in Sri Lanka shall have exclusive jurisdiction in respect of all matters relating to this offer and the SLNBBs.

20. Governing Law

The terms of this offer and the SLNBBs shall be governed by and construed in accordance with the laws of Sri Lanka.

Mrs C.Premaratne
Superintendent of Public Debt
Public Debt Department
Central Bank of Sri Lanka
No. 30, Janadhipathi Mawatha
Colombo 1
Sri Lanka

Mr. R.A. Jayatissa
Deputy Secretary to the Treasury
Ministry of Finance and Planning
Secretariat Building
Colombo 1
Sri Lanka
Sri Lanka