ST. CHRISTOPHER AND NEVIS

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ST KITTS AND NEVIS LAUNCHES DEBT EXCHANGE OFFER

Basseterre, St Kitts: The Government of St Kitts and Nevis today made an offer to exchange certain bonds and commercial bank loans (collectively, '**Eligible Claims**') owed by the Government, the Nevis Island Administration and public enterprises in return for new US dollar and EC dollar-denominated bonds to be issued by the Federation of St Kitts and Nevis.

Under the terms of the exchange offer, which is being supported by the Caribbean Development Bank ('**CDB**') through the provision of a partial guarantee, holders of Eligible Claims are being invited to tender their claims in exchange for either New Discount Bonds or New Par Bonds.

The financial terms of the exchange offer are based on the economic data and forecasts produced by the International Monetary Fund as part of the first review under the country's three-year Stand-By Arrangement, originally approved in July 2011, and take into account the feedback received from affected creditors during a nine-month period of intensive consultations.

The New Discount Bonds will be issued with a 50% discount on the principal amount of Eligible Claims to be tendered. These bonds will be based on a monthly mortgage-style repayment structure with no grace period on principal. The New Discount Bonds have a final maturity of 20 years, with the last payment due in March 2032. The coupon on these instruments will be 6% for the first four years, dropping to 3% from March 2016 onwards. The New Discount Bonds will benefit from a partial guarantee from the CDB of up to US$12 million that will apply on a rolling, reinstatable, and non-accelerable basis.

The New Par Bonds will have a final maturity of 45 years, and will also be based on monthly mortgage-style payments. The coupon on the New Par Bonds will be 1.5%, with a grace period of 15 years applying to principal payments. This instrument will not benefit from the CDB partial guarantee.

Under the terms of both the New Discount Bonds and the New Par Bonds, a one-off “goodwill” payment will be made in lieu of interest one month after the issuance of the new instruments.

The RT. Hon. Dr Denzil L Douglas, Prime Minister and Minister of Finance, said “In late 2010 the Government began to implement a radical economic reform program designed to stabilize the economy and enable St Kitts and Nevis to weather the international economic storms that have so badly buffeted the Eastern Caribbean as well as the entire global community. Around the same time the IMF concluded, as is now the case with many countries, that the level of our debt obligations was greater than our capacity to pay, even after factoring in the Government’s primary surpluses—the very highest in the region. The terms of our exchange offer have therefore been designed to resolve the country’s debt overhang and place our public finances on a sustainable footing, along with the debt relief being provided by other creditors and the important contribution from our economic reforms.”

“I am very pleased to be able to report that our consultations with creditors have been constructive and helped us to better understand their views on how best to deal with our debt burden”, added Dr Douglas. “Although we have been operating under very tight constraints, in finalizing the terms of the exchange offer we have endeavored to incorporate creditors’ preferences to the extent possible.”

Dr Douglas also voiced his appreciation for the CDB’s explicit support for the Government’s efforts to achieve debt sustainability.

The Ministry of Finance indicated that the majority of creditors voiced a preference for shorter repayment terms with a reduction of principal. Others however were of the view that it would be important to include a par option. In order to demonstrate maximum flexibility and to maintain a spirit of cooperation that has characterized the negotiations throughout, a decision was made to enable creditors to choose their preferred method of delivering debt relief. The Ministry sought to find ways to improve the terms of the new bonds and to increase the size of the goodwill payment up to the limit that was feasible on the basis of the Government’s medium-term macroeconomic framework and current cash position.

Tenders by holders of Eligible Claims are due no later than 14 March 2012. The settlement of the transaction is expected to take place during the fourth week of March 2012.

Treasury Bills are excluded from this exchange offer and from the scope of the general debt restructuring announced by the Government in June 2011.

Information concerning the offer may be obtained by holders of Eligible Claims from St Kitts and Nevis's Exchange Agent, Citibank, N.A., Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom; exchange.gats@citi.com

Holders may also contact the Government's financial advisor, White Oak Advisory LLP, 54 Baker Street, London W1U 7BU, United Kingdom; Tel. +44 20 7299 2630; skn@whiteoakadvisory.com

Background information on the debt restructuring process is available on http://sknmof.com/creditors.htm or http://www.sknmof.com/documents/2012/02/skn-exchange-offer.pdf. The Debt Unit may be contacted at 869 467 1087.

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