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LISTING CIRCULAR

The Republic of Ecuador

U.S.$3,701,423,865 Step-Up Coupon Notes due 2030 (the "2030 Notes")
U.S.$8,458,864,776 Step-Up Coupon Notes due 2035 (the "2035 Notes")
U.S.$3,403,135,207 Step-Up Coupon Notes due 2040 (the "2040 Notes")
U.S.$1,004,941,992 Zero-Coupon Notes due 2030 (the "PDI 2030 Notes")

LISTING OF THE NEW SECURITIES AND GENERAL INFORMATION

Reference is made to the Invitation Memorandum attached hereto, dated July 20, 2020, as amended or supplemented from time to time, which forms an integral part of this Listing Circular and contains the terms and conditions of the Republic of Ecuador's (the "**Republic**") Invitation to Exchange its Eligible Bonds for a package of the 2030 Notes, the 2035 Notes, the 2040 Notes and the PDI 2030 Notes (together, the "**New Securities**"), to be issued by the Republic pursuant to this Listing Circular (including the Invitation Memorandum). See "*Invitation Memorandum—Description of the New Securities*" for a description of the New Securities and certain provisions of the indenture governing the New Securities (the "**New Indenture**"). Exhibit A of the Invitation Memorandum (the "**Country Disclosure**") contains certain disclosure in respect of the Republic of Ecuador.

This Listing Circular should be read in conjunction with the Invitation Memorandum. Capitalized terms used herein but not defined herein shall have the meanings ascribed thereto in the Invitation Memorandum.

1. The New Securities in global form (the "**Global Notes**") have been accepted for clearance and settlement through Euroclear and Clearstream. The International Securities Identification Numbers for, and the principal amounts of, each of the New Securities are shown in the following table:

New Securities	ISIN / Common Code	Form	Principal Amounts (U.S.$)
2030 Notes	XS2214238102 / 221423810	QIB Restricted Global Notes	1,263,406,746.00
	XS2214237807 / 221423780	Regulation S Global Notes	2,429,619,914.00
	XS2214238284 / 221423828	IAI Restricted Global Notes	8,397,205.00
2035 Notes	XS2214238524 / 221423852	QIB Restricted Global Notes	2,879,833,758.00
	XS2214238441 / 221423844	Regulation S Global Notes	5,559,965,438.00
	XS2214238953 / 221423895	IAI Restricted Global Notes	19,065,580.00
2040 Notes	XS2214239258 / 221423925	QIB Restricted Global Notes	1,155,351,622.00
	XS2214239175 / 221423917	Regulation S Global Notes	2,240,167,702.00
	XS2214239332 / 221423933	IAI Restricted Global Notes	7,615,883.00
PDI 2030 Notes	XS2214239688 / 221423968	QIB Restricted Global Notes	340,403,374.00
	XS2214239506 / 221423950	Regulation S Global Notes	662,347,431.00
	XS2214239845 / 221423984	IAI Restricted Global Notes	2,191,187.00

2. Application has been made to list the New Securities on the Official List of the Luxembourg Stock Exchange and to have the New Securities admitted to trading on the Euro MTF Market. This Listing Circular constitutes a prospectus for the purpose of the Luxembourg Law dated July 16, 2019 on prospectuses

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for securities. So long as any of the New Securities are listed on the Luxembourg Stock Exchange, the Republic will maintain a paying agent.

3. The Luxembourg Stock Exchange has only approved the content of this Listing Circular relating to the listing of the New Securities. The sections relating to the Invitation to Exchange in the Invitation Memorandum are provided for informational purposes only.

4. The Republic has taken reasonable care to ensure that the information contained in this Listing Circular is true and correct in all material respects and not misleading as of the date hereof, and that, to the best of the knowledge and belief of the Republic, there has been no omission of information which, in the context of the issue of the New Securities, would make this Listing Circular as a whole or any information included in this Listing Circular, misleading in any material respect. The Republic accepts responsibility accordingly.

5. On August 10, 2020, the Republic announced the results of the Invitation to Exchange, as follows:

Eligible Bonds	ISIN / Common Code	Principal Amount Outstanding (U.S.$)	Principal Amounts Validly Tendered (U.S.$)	Principal Amounts Validly Tendered as a Percentage of Principal Amount Outstanding
10.750% Notes due March 28, 2022	XS1458516967; XS1458514673 / 145851696; 145851467	2,000,000,000	1,980,086,000	99.00%
8.750% Notes due June 2, 2023	XS1626768656; XS1626768730 / 162676865; 162676873	1,000,000,000	979,374,000	97.94%
7.950% Notes due June 20, 2024	XS1080331181; XS1080330704 / 108033118; 108033070	2,000,000,000	1,933,936,000	96.70%
7.875% Notes due March 27, 2025	XS2058848826; XS2058845210 / 205884882; 205884521	600,000,000	590,055,000	98.34%
9.650% Notes due December 13, 2026	XS1535072109; XS1535071986 / 153507210; 153507198	1,750,000,000	1,719,921,000	98.28%
9.625% Notes due June 2, 2027	XS1626529157; XS1626530320 / 162652915; 162653032	1,000,000,000	984,572,000	98.46%
8.875% Notes due October 23, 2027	XS1707041429; XS1707041262 / 170704142; 170704126	2,500,000,000	2,468,442,000	98.74%
7.875% Notes due January 23, 2028	XS1755432363; XS1755429732 / 175543236; 175542973	3,000,000,000	2,944,832,000	98.16%
10.750% Notes due January 31, 2029	XS1929377015; XS1929376710 / 192937701; 192937671	2,125,000,000	2,092,696,000	98.48%
9.500% Notes due March 27, 2030	XS2058866307; XS2058864948 / 205886630; 205886494	1,400,000,000	1,384,353,000	98.88%
Total	**N/A**	**17,375,000,000**	**17,078,267,000**	**98.29%**

6. Other than as disclosed herein and in the Invitation Memorandum, as of the date hereof, there has been no material adverse change in the financial condition of the Republic which is material in the context of the issue of the New Securities.

7. See "Risk Factors" beginning on page 20 of the Invitation Memorandum regarding certain risk factors associated with the Invitation to Exchange and the New Securities.

8. Copies of the following documents may be obtained, free of charge, on any business day (Saturdays, Sundays and public holidays excepted) at the office of the Paying Agent, so long as any of the New Securities are listed on the Luxembourg Stock Exchange:

(a) the New Indenture incorporating the forms of Global Notes;

(b) this Invitation Memorandum (including the Country Disclosure); and

(c) the 2008 Constitution (in Spanish).

9. The Republic's legal entity identifier is 5299003Y2U5XK0A35H71.

10. The offices of the Ministry of Economy and Finance of the Republic of Ecuador are located at Av. Amazonas entre Pereira y Unión Nacional de Periodistas, Plataforma Gubernamental de Gestión Financiera, Pisos 10 y 11 Quito, Ecuador.

11. Delivery of the New Securities was made on August 31, 2020.

12. This document is dated September 1, 2020.

Invitation Memorandum

THE REPUBLIC OF ECUADOR

Solicitation of Consents to Certain Amendments to the Bonds of the Republic of Ecuador listed below (collectively, the "Eligible Bonds")

and

Invitation to Exchange Eligible Bonds for New Securities of the Republic of Ecuador (the "New Securities")

The Invitation to Exchange (as defined below) will expire at 5:00 p.m. (Central European Time ("**CET**")) on July 31, 2020 (such time and date, as may be extended or earlier terminated by the Republic at its sole discretion with respect to each series of Eligible Bonds, the "**Expiration Date**"). The Consent Solicitation (as defined below) will expire at 5:00 p.m. (CET) on July 31, 2020 (such time and date, as may be extended or earlier terminated by the Republic at its sole discretion with respect to each series of Eligible Bonds, the "**Consent Deadline**"). Eligible Holders (as defined below) who validly deliver their Consent and Tender Order (as defined below) on or before the Consent Deadline, will be eligible to receive on the Settlement Date (as defined below) the applicable principal amount of New Securities (including New PDI 2030 Bonds (as defined below)). Eligible Holders who validly deliver Tender Orders after the Consent Deadline will not receive any New PDI 2030 Bonds.

Consents and Tender Orders may not be revoked or withdrawn at any time, except under certain limited circumstances, as described herein. Subject to the conditions described in this invitation memorandum, if the Requisite Consents (as defined below) are obtained at or prior to the Consent Deadline, we expect to (i) accept all valid Consents and give effect to the Proposed Modifications (as defined below) with respect to each and all series of Eligible Bonds (a "**Series**") for which the Requisite Consents are received and accepted at or prior to the Consent Deadline, and (ii) accept all valid Tender Orders to which such Consents relate and all valid Tender Orders delivered after the Consent Deadline and at or prior to the Expiration Date, and exchange the related Eligible Bonds for the New Securities of the Republic of Ecuador, in the manner contemplated in this invitation memorandum. We reserve the right to extend the Expiration Date and the Consent Deadline with respect to one or more Series at our sole discretion.

We, the Republic of Ecuador ("**Ecuador**" or the "**Republic**"), are hereby soliciting the consent ("**Consents**") of Holders (as defined below) of Eligible Bonds that are eligible to participate in the Consent Solicitation ("**Eligible Holders**") to certain modifications to the Eligible Bonds and the indentures governing the Eligible Bonds (the "**Proposed Modifications**"), as more fully described below (the "**Consent Solicitation**"). In conjunction with the Consent Solicitation, we are inviting Eligible Holders to tender their Eligible Bonds for New Securities of the Republic on the terms and subject to the conditions described herein (the "**Invitation to Exchange**" and, together with the Consent Solicitation, the "**Invitation**"). By delivering their Consents, Eligible Holders also submit orders to exchange (the "**Tender Orders**" and, together with the Consents, the "**Consent and Tender Orders**") their Eligible Bonds. At or prior to the Consent Deadline, Eligible Holders may not deliver their Consents without also tendering their Eligible Bonds, and may not tender their Eligible Bonds without delivering their Consents. Eligible Holders who have not validly delivered their Consent at or prior to the Consent Deadline may submit Tender Orders, but may no longer deliver Consents, at or prior to the Expiration Date. **By tendering their Eligible Bonds, Eligible Holders represent and warrant that such Eligible Bonds constitute all the Eligible Bonds beneficially owned by them**.

The Republic has reached an agreement in principle with an ad hoc group of major institutional holders of Eligible Bonds (the "**Ad Hoc Group**"), and such group has expressed to the Republic its support for the commercial terms of the restructuring of the Eligible Bonds as set forth in the Invitation.

The Dealer Manager for this Invitation is:

Citigroup

The date of this invitation memorandum is July 20, 2020.

The Invitation is being made on the terms and subject to the conditions set out in this invitation memorandum.

The following tables set forth the Series subject to the Invitation and the consideration offered in exchange for Eligible Bonds validly tendered pursuant to the Invitation:

Aggregated Eligible Bonds

Title of Security	ISIN / Common Code	Outstanding Amount	Exchange Consideration[(1)(2)]
10.750% Notes due March 28, 2022 (the "2022 Bond")	XS1458516967; XS1458514673 / 145851696; 145851467	U.S.$2,000,000,000	U.S.$300.00 principal amount of New 2030 Bond U.S.$495.30 principal amount of New 2035 Bond U.S.$116.00 principal amount of New 2040 Bond
8.750% Notes due June 2, 2023 (the "2023 Bond")	XS1626768656; XS1626768730 / 162676865; 162676873	U.S.$1,000,000,000	U.S.$229.00 principal amount of New 2030 Bond U.S.$495.30 principal amount of New 2035 Bond U.S.$187.00 principal amount of New 2040 Bond
7.875% Notes due March 27, 2025 (the "2025 Bond")	XS2058848826; XS2058845210 / 205884882; 205884521	U.S.$600,000,000	U.S.$189.00 principal amount of New 2030 Bond U.S.$495.30 principal amount of New 2035 Bond U.S.$227.00 principal amount of New 2040 Bond
9.650% Notes due December 13, 2026 (the "2026 Bond")	XS1535072109; XS1535071986 / 153507210; 153507198	U.S.$1,750,000,000	
9.625% Notes due June 2, 2027 (the "9.625% 2027 Bond")	XS1626529157; XS1626530320 / 162652915; 162653032	U.S.$1,000,000,000	
8.875% Notes due October 23, 2027 (the "8.875% 2027 Bond")	XS1707041429; XS1707041262 / 170704142; 170704126	U.S.$2,500,000,000	
7.875% Notes due January 23, 2028 (the "2028 Bond")	XS1755432363; XS1755429732 / 175543236; 175542973	U.S.$3,000,000,000	
10.750% Notes due January 31, 2029 (the "2029 Bond")	XS1929377015; XS1929376710 / 192937701; 192937671	U.S.$2,125,000,000	
9.500% Notes due March 27, 2030 (the "2030 Bond")	XS2058866307; XS2058864948 / 205886630; 205886494	U.S.$1,400,000,000	

2024 Bond

Title of Security	ISIN / Common Code	Outstanding Amount	Exchange Consideration[(1)(2)]
7.950% Notes due June 20, 2024 (the "2024 Bond")	XS1080331181; XS1080330704 / 108033118; 108033070	U.S.$2,000,000,000	U.S.$300.00 principal amount of New 2030 Bond U.S.$495.30 principal amount of New 2035 Bond U.S.$116.00 principal amount of New 2040 Bond

(1) Principal amount of New Securities per U.S.$1,000 principal amount of Eligible Bonds.

(2) The total exchange consideration is U.S.$911.30 principal amount of New Securities per U.S.$1,000 principal amount of Eligible Bonds. Eligible Holders whose Consent and Tender Orders are validly delivered at or prior to the Consent Deadline will be eligible to receive 86% of the accrued and unpaid interest on their Eligible Bonds up to, but excluding, the Settlement Date, which amount will be paid to Eligible Holders in the form of a zero coupon bond (the "**New PDI 2030 Bond**").

Only Eligible Holders who validly deliver Consent and Tender Orders at or prior to the Consent Deadline will be eligible to receive the New PDI 2030 Bond, unless the condition to deliver Consent and Tender Orders at or prior to the Consent Deadline is waived by the Republic in its sole discretion. By delivering their Consent and Tender Order, Eligible Holders will instruct the Republic to make the PDI Closing Payment (as defined below) on the Settlement Date to pay for certain closing costs and expenses of the Ad Hoc Group in connection with the Invitation. The Ad Hoc Group will notify the Republic of the final amount to be paid at least five business days prior to the Settlement Date. For the avoidance of doubt, the PDI Closing Payment will not affect the principal amount of New PDI 2030 Bonds issued to Holders pursuant to the terms of the Invitation. Eligible Holders whose Consent and Tender Order is delivered at or prior to the Consent Deadline and accepted pursuant to the Invitation will not receive any payments in respect of accrued and unpaid interest other than the New PDI 2030 Bond. Eligible Holders whose Tender Order is delivered after the Consent Deadline and accepted pursuant to the Invitation will not receive any payments or any New PDI 2030 Bonds in respect of accrued and unpaid interest.

Consents and Tender Orders may not be revoked or withdrawn at any time, except under certain limited circumstances where we make a change (adverse to the economic interests of Eligible Holders) to, or waive a material condition of, the Invitation, or otherwise are required to do so by law, in each case as determined by us in our sole discretion. Such revocation and withdrawal will be permitted for a period of time that we believe, in our sole discretion,

adequate to give Eligible Holders an adequate amount of time to consider such changes and determine whether to deliver, revoke or withdraw their Consent and Tender Order. Eligible Holders may not validly revoke a Consent without also withdrawing their Tender Order submitted in connection with such Consent. Prior to the Consent Deadline, Eligible Holders may not validly withdraw a Tender Order without also revoking the Consent given in connection with such Tender Order.

The Proposed Modifications will become effective with respect to Aggregated Eligible Bonds if valid Consents from Eligible Holders of (x) more than 50% of the aggregate principal amount at the time Outstanding of each Series of Aggregated Eligible Bonds (the "**Per Series Threshold**") and (y) not less than 66⅔% of the aggregate principal amount at the time Outstanding of all Series of Aggregated Eligible Bonds (the "**Aggregate Threshold**", together with the Per Series Threshold, the "**Aggregated Requisite Consents**"), in each case subject to re-designation in our sole discretion (as set forth below), have been validly delivered and accepted pursuant to the terms of the Consent Solicitation, and the other conditions described in this invitation memorandum have been either satisfied or waived by us (in our sole discretion, except for the Minimum Participation Condition, the IMF Condition, and the GLC Opinion Condition (each as defined below), which may not be waived by us).

With respect to the 2024 Bond, (i) the Proposed Modifications that relate to a non-reserved matter modification will become effective if valid Consents from Eligible Holders of not less than 66⅔% of the aggregate principal amount at the time Outstanding of the 2024 Bond have been validly delivered and accepted pursuant to the terms of the Consent Solicitation, and (ii) the Proposed Modifications that relate to a reserved matter modification will become effective if valid Consents from Eligible Holders of not less than 75% of the aggregate principal amount at the time Outstanding of the 2024 Bond have been validly delivered and accepted pursuant to the terms of the Consent Solicitation (in either case, the "**2024 Bond Requisite Consents**") and, in each case, the other conditions described in this invitation memorandum have been either satisfied or waived by us (in our sole discretion, except for the Minimum Participation Condition, the IMF Condition, and the GLC Opinion Condition, which may not be waived by us). For purposes of the Invitation, the Aggregated Requisite Consents and the 2024 Bond Requisite Consent, as they relate to the relevant Series of Eligible Bonds, shall be referred to as the "**Requisite Consents**".

With respect to the Aggregated Eligible Bonds, we retain the right pursuant to the applicable Indenture (as defined below) to, in our sole discretion and subject to the Minimum Participation Condition, (a) re-designate at any time (including after the Consent Deadline) one or more Series of Aggregated Eligible Bonds that will be subject to the Proposed Modifications on an aggregated basis, and (b) consider the Proposed Modifications effective with respect to one or more Series of Aggregated Eligible Bonds if we receive Aggregated Requisite Consents with respect to such Series. Such re-designation would allow us to exclude one or more Series of Aggregated Eligible Bonds from the calculation of the Aggregated Requisite Consents on an aggregated basis for the Proposed Modifications affecting the Series that have not been excluded and calculate the requisite consents on a single Series basis for each Series that has been excluded. See "*Terms of the Invitation—Requisite Consents*" for more information.

With respect to the Aggregated Eligible Bonds, we also retain the right pursuant to the applicable Indenture to, in our sole discretion and subject to the Minimum Participation Condition, re-designate at any time (including after the Consent Deadline) one or more Series of the Aggregated Eligible Bonds as to which the Proposed Modifications are 'uniformly applicable' (as defined in the respective Indenture) and consider the Proposed Modifications effective with respect to such re-designated Series if we receive the Consent of not less than 75% of the aggregate principal amount of all such re-designated Series at the time Outstanding. We reserve the right to re-designate any Series after the Requisite Consents have been obtained and announced with respect to any other Series. In that event, the re-designation of a Series may affect the announcement made with respect to any other Series.

If we receive the Requisite Consents to the Proposed Modifications with respect to a Series, the other conditions to the effectiveness of the Proposed Modifications are satisfied or waived and the Proposed Modifications become effective with respect to such Series, then the Proposed Modifications will be conclusive and binding on all Holders of such Series, whether or not they have consented to the Proposed Modifications, including Holders of such Series that are not Eligible Holders ("**Ineligible Holders**"). In that event, only Eligible Holders that participated in the Invitation will receive the New Securities, and all remaining Eligible Bonds of such Series will be modified pursuant to the Proposed Modifications.

Eligible Holders of Eligible Bonds who did not participate in the Invitation will have their Eligible Bonds modified as set forth under "*The Proposed Modifications*" below if we receive the Requisite Consents to the Proposed Modifications with respect to that Series. In this event, the economic terms and other important provisions of your

Modified Eligible Bonds (as defined below) will differ significantly from the economic terms and other important provisions of your Eligible Bonds prior to the effectiveness of the Proposed Modifications, you will not receive the New PDI 2030 Bond and you will no longer have the right to receive the accrued and unpaid interest up to, but excluding, the Settlement Date, on your Modified Eligible Bonds.

By delivering their Consents and/or Tender Orders, Eligible Holders whose Eligible Bonds are accepted by us agree to (A) waive any and all defaults and cross-defaults, as applicable, that may have occurred or will occur under the Eligible Bonds (prior to the effectiveness of the Proposed Modifications and consummation of the Invitation with respect to such Eligible Bonds) as the result of (i) any failure by the Republic to pay interest and any Additional Amount (as defined in the applicable Indenture) on each originally scheduled payment date set forth in the Eligible Bonds occurring between March 27, 2020, and September 1, 2020 (the "**September 2020 Specified Date**"), (ii) a default under any series of Eligible Bonds for which the Required Consents are not obtained at or prior to the Consent Deadline, and (iii) the entering or issuance of judgments or arbitral awards relating to any series of Eligible Bonds for which the Required Consents are not obtained at or prior to the Consent Deadline, and (B) waive and release the Republic from any and all claims such Eligible Holders may have now or in the future in connection with or arising out of any such defaults and cross-defaults, as applicable, and acknowledge and agree that any such defaults and cross-defaults shall be deemed cured upon the effectiveness of the Proposed Modifications and consummation of the Invitation (such waiver, the "**September 2020 Specified Waiver**"). For the avoidance of doubt, the September 2020 Specified Waiver shall expire and be of no further force and effect if the Settlement Date shall not have occurred on or prior to September 1, 2020. No interest shall accrue on the amount of interest between the originally scheduled payment date set forth in the Eligible Bonds and the September 2020 Specified Date. Notwithstanding anything to the contrary herein, the effectiveness of the foregoing waiver (x) with respect to individual Eligible Holders, will not be subject to any conditions, and (y) with respect to a Series, will only be contingent upon receiving the Requisite Consents for such Series.

Ecuador reserves the rights in its sole discretion to reject any and all Consent and Tender Orders with respect to any Series, including if the Per Series Threshold is not obtained with respect to any Series of Aggregated Eligible Bonds or the Aggregate Threshold is not obtained with respect to at least two of such Series or if the Minimum Participation Condition is not met. However if Ecuador accepts Consents and/or Tender Orders with respect to any Series of Eligible Bonds, it will accept all valid Consents and/or Tender Orders for all Series of Eligible Bonds, including all valid Tender Orders in respect of Series where the Requisite Consents are not obtained.

The term "**Outstanding**" excludes, among other Eligible Bonds defined in the applicable Indenture, Eligible Bonds owned or controlled directly or indirectly by Ecuador or by any Public Sector Instrumentality as provided in the applicable Indenture.

The Invitation is contingent upon the satisfaction of certain conditions at or prior to the Expiration Date, including that:

- we will accept Consent and Tender Orders and give effect to the Proposed Modifications with respect to one or more Series only if, at or prior to the Expiration Date, we receive Consent and Tender Orders that will result in at least 80% of the aggregate principal amount Outstanding of Aggregated Eligible Bonds being modified pursuant to the Proposed Modifications or otherwise exchanged for New Securities on the terms described in this invitation memorandum (the "**Minimum Participation Condition**"); the Minimum Participation Condition cannot be waived by us; and

- the Requisite Consents are obtained and the Proposed Modifications may be adopted with respect to all Series (which condition we may waive, in our sole discretion, with respect to one or more Series).

The Invitation is also contingent upon the satisfaction of the condition that, on or prior to the Settlement Date, the International Monetary Fund (the "**IMF**") shall have announced an IMF staff-level agreement on a new funded program for Ecuador (the "**IMF Condition**"). The IMF Condition cannot be waived by us.

The Invitation is also contingent upon the receipt by the Trustee on the Settlement Date of an opinion from the General Legal Coordinator of the Ministry of Economy and Finance stating that, among other things: (i) the Republic has full capacity, power, authority and legal right to execute and deliver the New Indenture and execute, issue and deliver the New Securities and perform its obligations thereunder, and the New Indenture and the New Securities have been duly authorized, executed and delivered by the Republic, (ii) the issue of the New Securities was approved by Resolution No.

016-2020 from the Debt and Finance Committee of the Republic, dated July 16, 2020 and (iii) the execution, delivery and performance by the Republic of the New Indenture, the issuance of the New Securities and compliance by the Republic with the terms thereof and the consummation of the transactions contemplated thereby will not result in a violation of the provisions of any Ecuadorian statute or law (including, without limitation, the Ecuadorian Constitution, any Ecuadorian law, decree, regulation or resolution or any treaty to which the Republic is a party) or any rule, regulation, judgment, order or decree of any Ecuadorian court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over the Republic or any of its properties. This condition (the "**GLC Opinion Condition**") cannot be waived or modified by us.

We will terminate the Invitation unless settlement of the Invitation occurs on or prior to August 20, 2020 (the "**Settlement Deadline**"); provided that, the Republic shall have the right to extend the Settlement Deadline to September 1, 2020, with the consent of the Eligible Holders representing a majority of the aggregate principal amount Outstanding of all Series of Eligible Bonds, as reasonably determined by us in our sole discretion.

The New Securities will be issued pursuant to the New Indenture (as defined below) and will have the terms and conditions described under "*Description of the New Securities*."

For the purposes of the Invitation, the term "**Holder**" shall be deemed to include holders and beneficial owners of Eligible Bonds on the books of Euroclear Bank SA/NV, as operator of the Euroclear System ("**Euroclear**" and such Holders, "**Euroclear Participants**"), and holders and beneficial owners of Eligible Bonds on the books of Clearstream Banking, Société Anonyme ("**Clearstream**", and such Holders "**Clearstream Participants**" and, collectively with the Euroclear Participants, "**Direct Participants**").

THIS INVITATION IS ONLY BEING DIRECTED TO ELIGIBLE HOLDERS

Neither the Consent Solicitation nor the New Securities have been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction. Unless they are registered under the Securities Act, the New Securities may be offered only in transactions that are exempt from registration under the Securities Act. Accordingly, the Invitation is being directed only to Holders of Eligible Bonds that are: (i) "qualified institutional buyers" as defined in Rule 144A under the Securities Act, (ii) "accredited investors" within the meaning of rule 501(a)(1), (2), (3) or (7) of regulation D under the Securities Act (an "institutional accredited investor"), or (iii) outside the United States who (x) if located within a member state of the EEA or the UK, is a "qualified investor" as defined in the Prospectus Regulation or a duly designated proxy thereof, and (z) if outside the EEA or the UK, is eligible to receive the Invitation under the laws of its jurisdiction (each, an "Eligible Holder"). Any Holder who does not certify its status as an Eligible Holder will not be entitled to participate in the Invitation. Only Holders of Eligible Bonds who have returned a duly completed eligibility letter certifying that they are within one of the categories described in this paragraph are authorized to receive and review this invitation memorandum and to participate in the Invitation. For further details about the resale restrictions for the New Securities, see "*Jurisdictional Restrictions*" and "*Transfer Restrictions*."

Special Notice to Investors in the European Economic Area and the United Kingdom

The Invitation is not being made to any retail investors in any Member State of the EEA or the UK (each, a "**Relevant State**") and EEA and UK retail investors will not be given the opportunity to state their views on the Proposed Modifications. As a result, no "offer" of new securities is being made to retail investors in the EEA or the UK. Any holder who does not deliver a Tender Order is effectively not consenting to the Proposed Modifications. Therefore, it will be necessary for other (not such retail) investors representing a greater nominal principal amount Outstanding to consent to the Proposed Modifications for the Proposed Modifications to become effective. If the Proposed Modifications become effective with respect to one or more Series of Eligible Bonds, then, in accordance with the terms of such Eligible Bonds, such Series of Eligible Bonds will be modified into Modified Eligible Bonds, and such modification will affect all Holders, including Ineligible Holders, of those Series of Eligible Bonds, regardless of whether they consented or if they were entitled to participate in the Invitation.

This Invitation is only being made to beneficial owners of Eligible Bonds who are within a Relevant State if they are "qualified investors" as defined in the Prospectus Regulation. For the purposes of the Invitation, "**Eligible Holders**" do not include any beneficial owner located within a Relevant State who is not a "qualified investor" (as defined in the Prospectus Regulation) or any other beneficial owner located in a jurisdiction where the Invitation is not permitted by law.

No offer of any kind is being made to Ineligible Holders. For further details about eligible offerees and resale restrictions, see "*Jurisdictional Restrictions*" and "*Transfer Restrictions*."

The New Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in a Relevant State. For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**IDD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the New Securities or otherwise making them available to retail investors in a Relevant State has been prepared and therefore offering or selling the New Securities or otherwise making them available to any retail investor in a Relevant State may be unlawful under the PRIIPs Regulation. References to Regulations or Directives include, in relation to the UK, those Regulations or Directives as they form part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 or have been implemented in UK domestic law, as appropriate.

Other Information

The Internet address for the Invitation website (the "**Invitation Website**") is: https://www.gbsc-usa.com/ecuador/

Citigroup Global Markets Inc. is acting as Dealer Manager for the Invitation (the **"Dealer Manager"**). The information, tabulation and exchange agent for the Invitation is Global Bondholder Services Corporation (the "**Information, Tabulation and Exchange Agent**"). The Dealer Manager and the Information, Tabulation and Exchange Agent may be reached at the addresses and telephone numbers specified on the back cover of this invitation memorandum. The Information, Tabulation and Exchange Agent will operate the Invitation Website and answer questions from Eligible Holders regarding the procedures to deliver Consent and Tender Orders.

If you hold Eligible Bonds through a financial institution or intermediary, you may need to contact your financial institution or intermediary and inform such financial institution or intermediary that you wish to instruct it to deliver a Consent and tender your Eligible Bonds on your behalf in respect of such Eligible Bonds. Financial institutions or intermediaries may impose their own deadlines for instructions to be received from investors in the Eligible Bonds with respect to the Invitation, which may be earlier than the Consent Deadline and the Expiration Date. Investors holding the Eligible Bonds through financial institutions or intermediaries should therefore contact their financial institutions or intermediaries to ensure timely receipt of your Consent and Tender Order. If your financial institution or intermediary does not have adequate time to process your instruction, your Consent and Tender Order may not be given effect.

The Republic intends to list each series of New Securities on the Luxembourg Stock Exchange and to have each series of New Securities admitted for trading on the Euro MTF Market, in each case as soon as reasonably practicable after the Settlement Date. See "*Terms of the Invitation—Market for the Eligible Bonds and the New Securities*."

In this invitation memorandum, references to the "**Republic**," "**Ecuador**," "**we**," "**our**" and "**us**" are to the Republic of Ecuador.

This invitation memorandum does not constitute an offer to tender, or the solicitation of an offer to tender, securities in any jurisdiction where such offer or solicitation is unlawful. The distribution of this invitation memorandum in certain jurisdictions may be restricted by law, and persons into whose possession this invitation memorandum comes are requested to inform themselves about, and to observe, such restrictions, including whether they are Eligible Holders pursuant to the laws of their respective jurisdictions. See "*Representations and Acknowledgements of the Beneficial Owners of the Eligible Bonds*" and "*Jurisdictional Restrictions*."

This invitation memorandum contains important information which should be read carefully before any decision is made with respect to the Invitation. Any Holder that is in any doubt as to the action it should take should seek its own financial advice, including as to any tax consequences, from its legal adviser, accountant or other independent financial adviser.

http://www.oblible.com

TABLE OF CONTENTS

Page

Invitation Memorandum

Introduction viii
Arbitration and Enforceability ix
Certain Legal Restrictions xii
Presentation of Economic and Other Information xiii
Summary Time Schedule for the Invitation 1
Summary of the Invitation 4
Common Terms of the New Securities 14
Financial Terms of the New Securities 17
Background to the Invitation 19
Risk Factors 20
Terms of the Invitation 41
Proposed Modifications 50
Tender Procedures 54
Representations and Acknowledgements of the Beneficial Owners of the Eligible Bonds 57
Description of the New Securities 60
Book-Entry, Delivery and Form 78
Taxation 81
Dealer Manager 87
Transfer Restrictions 88
Jurisdictional Restrictions 91
Forward-Looking Statements 96
Validity of the New Securities 97
General Information 98
Appendix A The Republic of Ecuador A-1
Appendix B Form of Supplemental Indenture for the Aggregated Eligible Bonds B-1
Appendix C Form of Supplemental Indenture for the 2024 Bond C-1

INTRODUCTION

We are responsible for the information contained in this invitation memorandum. We have not authorized anyone to give you any other information, and we take no responsibility for any other information that others may give you. Neither the delivery of this invitation memorandum nor the delivery of any Consent and Tender Orders, nor the modification or exchange of Eligible Bonds pursuant to the Invitation shall, under any circumstances, create any implication that there has been no change in our condition since the date of this invitation memorandum.

We are furnishing this invitation memorandum to you solely for your use in connection with the Invitation.

The Republic of Ecuador is a sovereign state. Consequently, it may be difficult for you to obtain or realize upon judgments of courts or arbitral awards in the United States and other jurisdictions against the Republic. See "*Risk Factors— Risks Factors Relating to the New Securities—Ecuador is a sovereign state and has not waived its sovereign immunity to the fullest extent permitted under the United States Foreign Sovereign Immunities Act of 1976; accordingly, it may be difficult to obtain or enforce judgments against it.*"

This invitation memorandum contains specific information about the terms of the Invitation and the New Securities. Before you participate in the Invitation, you should read this invitation memorandum. You should base your decision on the information in the invitation memorandum. We do not accept responsibility for any other information.

None of us, the Trustee, the Luxembourg Listing Agent, the Dealer Manager or the Information, Tabulation and Exchange Agent has expressed any opinion as to whether the terms of the Invitation are fair or made any recommendation that you deliver Consent and Tender Orders or refrain from doing so pursuant to the Invitation or authorized any other person to make any such recommendation. You must make your own decision as to whether to deliver Consent and Tender Orders for any or all Eligible Bonds that you may beneficially own or refrain from doing so.

The Invitation Website can be accessed at https://www.gbsc-usa.com/ecuador/. Access to the Invitation Website will be subject to certain restrictions in compliance with exemptions from regulatory approval being relied on by the Republic in such jurisdictions. See "*Transfer Restrictions*" and "*Jurisdictional Restrictions*." Information on the Invitation Website is not incorporated by reference in this Invitation Memorandum.

Questions and requests for assistance in connection with the procedures to deliver Consent and Tender Orders may be directed to the Information, Tabulation and Exchange Agent, the contact details for which are on the back cover of this invitation memorandum.

Currency of Presentation

Unless otherwise specified, references in this invitation memorandum to "dollars," "U.S. dollars," "USD" and "U.S.$" are to the currency of the United States of America.

ARBITRATION AND ENFORCEABILITY

The Republic is a sovereign state. Consequently, it may be difficult for investors to obtain or realize upon judgments in the courts of the United States or otherwise to enforce the Republic's obligations under the New Securities. Under its Constitution, the Republic recognizes arbitration, mediation and other alternative dispute resolution proceedings for the resolution of controversies. The Republic has not consented to the jurisdiction of any court in connection with actions arising out of relating to or having any connection with the Notes and has submitted itself to arbitration under the LCIA Rules (as defined below). This submission to arbitration has been approved by the Office of the Attorney General as the competent body of the Republic which allows state courts to decide certain matters as described below. The Republic has agreed to the following arbitration provisions (which shall be governed by English law) as part of the terms and conditions of the New Securities under an new indenture to be entered into between the Republic and The Bank of New York Mellon (the "**Trustee**"), expected to be dated the Settlement Date (the "**New Indenture**"):

(a) Any dispute, controversy or claim of any nature arising out of, relating to or having any connection with the New Indenture, including any dispute as to the existence, validity, interpretation, performance, breach, termination or consequences of the nullity of the New Indenture (a "**Dispute**") where the Republic is either a party, claimant, respondent or is otherwise necessary thereto, will not be referred to a court of any jurisdiction and will instead be referred to and finally resolved by arbitration under the Rules of the London Court of International Arbitration ("**LCIA**") ("**LCIA Rules**") as at present in force and as modified by the New Indenture, in which LCIA Rules are deemed to be incorporated by reference. The provisions in the LCIA Rules regarding an Emergency Arbitrator shall not apply. In particular:

(i) There will be three arbitrators.

(ii) Each arbitrator will be an English or New York qualified lawyer of at least 15 years' standing with experience in relation to international banking or capital markets disputes. At least one of those arbitrators will be a lawyer qualified in New York.

(iii) If there are two parties to the Dispute, each party will be entitled to nominate one arbitrator. If there are multiple claimants and/or multiple respondents, all claimants and/or all respondents will attempt to agree upon their respective nomination(s) such that the claimants will together be entitled to nominate one arbitrator and the respondents will together be entitled to nominate one arbitrator. If any such party or multiple parties fail to nominate an arbitrator within 30 days from and including the date of receipt of the relevant request for arbitration, an arbitrator will be appointed on their behalf by the LCIA Court in accordance with the LCIA Rules and applying the criteria at clause (ii) above. In such circumstances, any existing nomination or confirmation of the arbitrator chosen by the party or parties on the other side of the proposed arbitration will be unaffected, and the remaining arbitrator(s) will be appointed in accordance with the LCIA Rules.

(iv) The third arbitrator and chairman of the arbitral tribunal will be appointed by the LCIA Court in accordance with the LCIA Rules and applying the criteria at clause (ii) above.

(v) The seat, or legal place, of arbitration will be London, England.

(vi) The language to be used in the arbitration will be English. The arbitration provisions contained in the New Indenture will be governed by English law.

(vii) Without prejudice to any other mode of service allowed by law, the Republic thereby appoints Law Debenture Corporate Services Limited, with its registered office at 5/F, 100 Wood Street, EC2V 7EX, London, England (the "Process Agent") as its agent under the New Indenture for service of process in relation to any proceedings before the English courts in relation to any arbitration contemplated by the New Indenture or in relation to recognition or enforcement of any such arbitral award obtained in accordance with the New Indenture.

If the Process Agent is unable to act as the Republic's agent under the New Indenture for the service of process, the Republic must immediately (and in any event within ten days of the event taking place) appoint another agent (a "Replacement Agent") on terms acceptable to the Trustee.

The Republic agrees that failure by the Process Agent or, as applicable, a Replacement Agent, to notify the Republic of the process will not invalidate the proceedings concerned.

Under the terms of the New Securities, each holder of the New Securities is deemed to have agreed to the use of arbitration under the LCIA Rules to resolve any dispute, controversy or claim of any nature arising out of, relating to or having any connection with the New Securities. Accordingly, any court proceedings brought against the Republic by a holder of the New Securities (other than to enforce an arbitration award) may be stayed in favor of arbitration.

The Republic has not waived sovereign immunity in relation to the New Securities. The Republic has, however, undertaken not to invoke any defense on the basis of any kind of immunity, for itself and/or its assets, which do not constitute "Immune Property" in respect of legal actions or proceedings in connection with the New Securities.

"Immune Property," in accordance with the provisions of the laws of the Republic, means:

(a) any property which is used or designated for use in the performance of the functions of the diplomatic mission of Ecuador or its consular posts;

(b) aircraft, naval vessels and other property of a military character or used or designated for use in the performance of military functions;

(c) property forming part of the cultural heritage of Ecuador or part of its archives;

(d) unexploited natural non-renewable resources in Ecuador;

(e) funds managed in the national Treasury Account;

(f) assets and resources comprising available monetary reserves of Ecuador;

(g) public domain assets used for providing public services in Ecuador;

(h) national assets located in the territory of Ecuador and belonging to the Republic, such as streets, bridges, roads, squares, beaches, sea and land located over 4,500 meters above sea level;

(i) accounts of the Central Bank of Ecuador, whether they are held abroad or locally; and

(j) public entities' deposits with the Central Bank of Ecuador, whether they are maintained abroad or locally.

The decision of any arbitral tribunal shall be final to the fullest extent permitted by law. The Republic submits to the jurisdiction of any Ecuadorian court or of any court outside the Republic in connection with a properly obtained arbitral award, and such an arbitral award may be enforced in any jurisdiction in accordance with the New York Convention on the Recognition and Enforcement of Arbitral Awards 1958. The Republic also submits to the jurisdiction of the English courts in connection with any proceedings invoking the supervisory jurisdiction of those courts in relation to an arbitration conducted pursuant to the New Indenture.

Any award rendered by an arbitral tribunal properly constituted under the New Indenture or the New Securities (as the case may be), would be enforceable against the Republic as a local arbitration award, without a homologation process.

The New Indenture contains a further provision which provides that any dispute between the Trustee and the holders of the New Securities only, will be subject to the non-exclusive jurisdiction of the courts of New York. This provision is as follows:

> *Any Dispute between the Trustee and any holders or holders only and where the Republic is not a party, claimant, respondent or otherwise is necessary thereto, shall be subject to the non-exclusive jurisdiction of any New York state or United States federal court sitting in the Borough of Manhattan, the City of New*

York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to the Indenture, and the Trustee and the holders hereby irrevocably submit to such jurisdiction and agree that all claims in respect of such Dispute may be heard and determined in such New York state or United States federal court.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Republic is making the Invitation in reliance on exemptions from the registration requirements of the Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The New Securities have not been recommended by any U.S. or non-U.S. securities authorities, and these authorities have not determined that this invitation memorandum is accurate or complete. Any representation to the contrary is a criminal offence.

CERTAIN LEGAL RESTRICTIONS

The distribution of this invitation memorandum and the transactions contemplated by this invitation memorandum are restricted by law in certain jurisdictions. If this invitation memorandum comes into your possession, you are required by the Republic to inform yourself of and to observe all of these restrictions, including whether you are an Eligible Holder pursuant to the laws of your jurisdictions. This invitation memorandum does not constitute, and may not be used in connection with, an offer or solicitation in any jurisdiction where offers or solicitations are not permitted. Holders should carefully review the restrictions and limitations applicable in certain jurisdictions and the manner in which this invitation memorandum will be made available in such jurisdictions, as set forth under "*Transfer Restrictions*" and "*Jurisdictional Restrictions*."

If a jurisdiction requires that the Invitation be made by a licensed broker or dealer and any Dealer Manager or any affiliate of any Dealer Manager is a licensed broker or dealer in that jurisdiction, the Invitation shall be deemed to be made by such Dealer Manager or such affiliate on behalf of the Republic in that jurisdiction.

PRESENTATION OF ECONOMIC AND OTHER INFORMATION

Detailed disclosure related to the Republic's economic and other information is set forth in Appendix A attached hereto. Please review such information (as well as the Risk Factors contained in this Invitation) carefully.

SUMMARY TIME SCHEDULE FOR THE INVITATION

The following summarizes the anticipated time schedule for the Invitation, assuming, among other things, that we do not extend the Expiration Date or terminate the Invitation early. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this invitation memorandum. All references are to Central European Time (CET) unless otherwise noted.

Date	**Action**
July 20, 2020	*Commencement of the Invitation* On this date we will distribute this invitation memorandum describing the terms of the Invitation.
July 20, 2020 – July 31, 2020	*Invitation Period (unless extended or earlier terminated)* The Invitation is open during this period (the "**Invitation Period**").
July 31, 2020 at 5:00 P.M. (CET).....	*Consent Deadline* This date and time (the "**Consent Deadline**") will be the deadline for Eligible Holders to deliver Consents and the related Tender Orders, unless we, in our sole discretion with respect to one or more Series, terminate the Invitation earlier or extend the Consent Deadline to a date at or prior to the Expiration Date. After the Consent Deadline, Eligible Holders may no longer deliver Consents. *The clearing systems and financial institutions through which an Eligible Holder holds the Eligible Bonds may in accordance with their normal procedures establish earlier deadlines for the receipt of instructions to participate in the Invitation from their participants and customers, as described under "Terms of the Invitation—Tender Procedures."*
July 31, 2020 at 5:00 P.M. (CET).....	*Expiration Date* This date and time (the "**Expiration Date**") will be the deadline for Eligible Holders to deliver Tender Orders, unless we extend such date or terminate the Invitation earlier in our sole discretion with respect to a Series. The Expiration Date will mark the end of the Invitation Period. *The clearing systems and financial institutions through which an Eligible Holder holds the Eligible Bonds may in accordance with their normal procedures establish earlier deadlines for the receipt of instructions to participate in the Invitation from their participants and customers, as described under "Terms of the Invitation—Tender Procedures."*
August 2, 2020, or as soon as practicable thereafter....	*Results Announcement Date* On this date (the "**Results Announcement Date**") we will announce (i) whether the Republic has re-

	designated any Series subject to the Proposed Modifications on an aggregate basis, specifying which Series have been excluded for the purpose of determining whether the Requisite Consents for the Proposed Modifications to any Series have been obtained on an aggregated or single series basis or as to which those Proposed Modifications that are uniformly applicable to them will become effective, (ii) the aggregate principal amount of Eligible Bonds of each Series with respect to which the Republic has accepted any Consent and Tender Orders, (iii) the results of the Invitation, and (iv) the Series as to which the conditions to the effectiveness of the Proposed Modifications, after giving effect to the exclusion of any Series and the re-designation described above, have been met.
August 7, 2020, or as soon as practicable thereafter, but not later than the Settlement Deadline.....	*Execution Date, Effective Date and Settlement Date* If we obtain the Requisite Consents to the Proposed Modifications for any one or more Series, after electing to exclude one or more Series of Eligible Bonds and, if applicable, re-designating two or more Series as to which the Proposed Modifications are uniformly applicable, and subject to the conditions set forth in this invitation memorandum, we and the Trustee will execute, as necessary, a Supplemental Indenture (as defined below) to the applicable Indentures, modifying the applicable Indentures in accordance with such Proposed Modifications (the "**Effective Date**"). On the Effective Date (which we also refer to as the "**Settlement Date**"), upon the execution of the Supplemental Indentures, as applicable, and the New Indenture, the New Securities will be issued and all Eligible Bonds exchanged pursuant to the Invitation to Exchange will be delivered to the Trustee for cancellation. The Proposed Modifications will not become operative until completion of the Consent Solicitation in accordance with the terms and conditions set forth herein, and each Eligible Holder who has delivered its Consent and whose Consent has been accepted by us shall have received the New Securities (including the New PDI 2030 Bond) as set forth herein. We will terminate the Invitation unless settlement of the Invitation occurs on or prior to August 20, 2020 (the "**Settlement Deadline**"); provided that, the Republic shall have the right to extend the Settlement Deadline to September 1, 2020, with the consent of the Eligible Holders representing a majority of the aggregate principal amount Outstanding of all Series of Eligible Bonds, as reasonably determined by us in our sole discretion.

Eligible Holders who wish to have their Consent and Tender Orders certified for the purposes of the extension of the Settlement Deadline pursuant to the Invitation should quote a unique identifier code ("**Unique Identifier Code**") in their Electronic Tender Instruction (as defined below) in Euroclear or Clearstream, which can be obtained by contacting Citigroup at ny.liabilitymanagement@citi.com. A Unique Identifier Code is not required for an Eligible Holder to participate in the Invitation, but if an Eligible Holder wishes to have their Consent and Tender Orders used to consent to an extension of the Settlement Deadline to September 1, 2020, such Eligible Holder should obtain a Unique Identifier Code and quote their Unique Identifier Code in their Electronic Tender Instruction in Euroclear or Clearstream. The Unique Identifier Code should be quoted in the required field as directed by their respective custodians and by Euroclear or Clearstream, as applicable, within the corresponding Electronic Tender Instruction.

The Republic shall review such Electronic Tender Instructions in order to certify consents of the Eligible Holders representing a majority of the aggregate principal amount Outstanding of all Series of Eligible Bonds. However, no assurances can be given that the Republic will exercise the right to extend the Settlement Deadline.

SUMMARY OF THE INVITATION

This summary highlights information contained elsewhere in this invitation memorandum and it is provided solely for the convenience of Eligible Holders. This summary is not complete and may not contain all of the information that you should consider before consenting to the Proposed Modifications and tendering Eligible Bonds in exchange for New Securities. You should read the entire invitation memorandum, including the "Risk Factors" section, carefully.

Issuer.....	The Republic of Ecuador
Principal Amounts Currently Outstanding.....	The aggregate principal amount of all Eligible Bonds currently Outstanding is approximately U.S.$17.4 billion. See "*Terms of the Invitation—Requisite Consents*" for additional information on the Outstanding principal amount of each Series, as applicable.
Termination, Amendments	At any time before we announce the results of the Invitation on the Results Announcement Date, we may, in our sole discretion and to the extent permitted by the applicable laws, rules and regulations in each jurisdiction where we are making the Invitation: • terminate the Invitation (including with respect to Consent and Tender Orders submitted prior to the time of the termination), • extend the Consent Solicitation past the originally scheduled Consent Deadline with respect to one or more Series, or extend the Invitation to Exchange past the originally scheduled Expiration Date with respect to one or more Series, • withdraw the Invitation from any one or more jurisdictions, • amend the Invitation, including amendments in any one or more jurisdictions, or • in our sole discretion, accept Tender Orders with respect to Series for which the Requisite Consents are not obtained and the Proposed Modifications of that Series are not adopted.
The Consent Solicitation.....	The Republic is soliciting Consents from Eligible Holders of Eligible Bonds with respect to the Proposed Modifications. By delivering a Consent at or prior to the Consent Deadline and not revoking such Consent (if such revocation is applicable under the limited circumstances described herein) each Eligible Holder agrees to the Proposed Modifications and directs the Trustee and us to take all necessary actions to make the Proposed Modifications effective. By delivering their Consent and Tender Orders, Eligible Holders whose Eligible Bonds are accepted by us agree to (A) waive any and all defaults and cross-defaults, as applicable, that may have occurred or will occur under the Eligible Bonds (prior to the effectiveness of the Proposed Modifications and consummation of the Invitation with respect to such Eligible Bonds) as the result of (i) any failure by the Republic to pay interest and any Additional Amount (as defined in the applicable Indenture) on each originally scheduled payment date set forth in the Eligible Bonds occurring between March 27, 2020, and September 1, 2020 (the "**September 2020 Specified Date**"), (ii) a default under any series of Eligible Bonds for which the Required Consents are not obtained at or prior to the Consent Deadline, and (iii) the entering or issuance of judgments or arbitral awards relating to

any series of Eligible Bonds for which the Required Consents are not obtained at or prior to the Consent Deadline, and (B) waive and release the Republic from any and all claims such Eligible Holders may have now or in the future in connection with or arising out of any such defaults and cross-defaults, as applicable, and acknowledge and agree that any such defaults and cross-defaults shall be deemed cured upon the effectiveness of the Proposed Modifications and consummation of the Invitation (such waiver, the "**September 2020 Specified Waiver**"). For the avoidance of doubt, the September 2020 Specified Waiver shall expire and be of no further force and effect if the Settlement Date shall not have occurred on or prior to September 1, 2020. No interest shall accrue on the amount of interest between the originally scheduled payment date set forth in the Eligible Bonds and the September 2020 Specified Date. Notwithstanding anything to the contrary herein, the effectiveness of the foregoing waiver (x) with respect to individual Eligible Holders, will not be subject to any conditions, and (y) with respect to a Series, will only be contingent upon receiving the Requisite Consents for such Series.

At or prior to the Consent Deadline, Eligible Holders may not deliver their Consents without also submitting the corresponding Tender Orders.

The Invitation to Exchange.....

By delivering their Consents, Eligible Holders also submit Tender Orders with respect to their Eligible Bonds. Eligible Holders may submit Tender Orders (but not Consents) after the Consent Deadline and at or prior to the Expiration Date. Eligible Holders whose Tender Orders are accepted in the Invitation will exchange their Eligible Bonds for New Securities on the terms and subject to the conditions described in this invitation memorandum.

At or prior to the Consent Deadline, Eligible Holders may not deliver their Consents without submitting corresponding Tender Orders and may not submit their Tender Orders without delivering their corresponding Consents.

Consideration to be Received Pursuant to the Consent Solicitation and the Invitation to Exchange .....

As set forth on the cover hereof and as described in detail in "*Terms of the Invitation—Consideration to Be Received Pursuant to Tender Orders*" and subject to the other terms of the Invitation, Eligible Holders of Eligible Bonds whose Tender Orders or Consent and Tender Orders are accepted will receive on the Settlement Date their corresponding amount of New Securities.

Only Eligible Holders of Eligible Bonds whose Consent and Tender Orders are validly delivered at or prior to the Consent Deadline, unless the condition to deliver Consent and Tender Orders at or prior to the Consent Deadline is waived by the Republic in its sole discretion, will be eligible to receive on the Settlement Date 86% of the accrued and unpaid interest on their Eligible Bonds up to, but excluding, the Settlement Date, which amount will be paid to Eligible Holders in the form of the New PDI 2030 Bond.

The principal amount of New PDI 2030 Bonds to be issued pursuant to the Invitation for each U.S.$1,000 principal amount of Eligible Bonds of the relevant Series will be as follows (assuming that the Settlement Date occurs on August 7, 2020):

Series	New PDI 2030 Bond
2022 Bond	U.S.$78.92

2023 Bond	U.S.$50.78
2024 Bond	U.S.$42.68
2025 Bond	U.S.$57.89
2026 Bond	U.S.$53.51
9.625% 2027 Bond	U.S.$55.90
8.875% 2027 Bond	U.S.$59.78
2028 Bond	U.S.$36.07
2029 Bond	U.S.$47.59
2030 Bond	U.S.$69.92

A portion of the accrued and unpaid interest on the Eligible Bonds which would have been included as part of the principal amount of the New PDI 2030 Bond, up to U.S.$1,000,000.00 (the "**PDI Closing Payment**") will instead be allocated to pay certain closing costs and expenses of the Ad Hoc Group in connection with the Invitation. The Ad Hoc Group will notify the Republic of the final amount to be paid at least five business days prior to the Settlement Date. By delivering their Consent and Tender Order, Eligible Holders will instruct the Republic to make the PDI Closing Payment on the Settlement Date. For the avoidance of doubt, the PDI Closing Payment will not affect the principal amount of New PDI 2030 Bonds issued to Eligible Holders pursuant to the terms of the Invitation.

Eligible Holders whose Consent and Tender Order is delivered at or prior to the Consent Deadline and accepted pursuant to the Invitation will not receive any payments in respect of accrued and unpaid interest other than the New PDI 2030 Bond.

Eligible Holders whose Tender Order is delivered after the Consent Deadline and accepted pursuant to the Invitation will not receive any payments or any New PDI 2030 Bonds in respect of accrued and unpaid interest.

Tender Procedures ..... The Invitation is being made to all Eligible Holders of Eligible Bonds provided that they are in a jurisdiction where such invitation is permitted to such a person. Only Eligible Holders or the financial institutions or other intermediaries through which they hold their Eligible Bonds may deliver a Tender Order.

All Tender Orders will include "blocking" instructions (as defined below) to Euroclear or Clearstream in accordance with the procedures and deadlines specified by Euroclear or Clearstream.

If you hold Eligible Bonds through a financial institution or other intermediary, you must instruct that financial institution or other intermediary to submit Consent and Tender Orders on your behalf to Euroclear or Clearstream.

Eligible Bonds may be tendered only in the authorized denominations set forth in the terms of such Eligible Bonds and in this "*Summary of the Invitation*." To the extent any Eligible Holder tenders less than all Eligible Bonds of a Series owned by such Eligible Holder, the principal amount not tendered by such Eligible Holder must also be an authorized denomination.

For more information, see "*Tender Procedures*."

Revocation and Withdrawal Rights ..... Consents and Tender Orders may not be revoked or withdrawn at any time, except under certain limited circumstances where we make a change (adverse to the economic interests of Eligible Holders) to, or waive a

material condition of, the Invitation, or otherwise are required to do so by law, in each case as determined by us in our sole discretion. Such revocation and/or withdrawal will be permitted for a period of time that we believe, in our sole discretion, adequate to give Eligible Holders an adequate amount of time to consider such changes and determine whether to deliver, revoke or withdraw their Consent and Tender Order. Eligible Holders may not validly revoke a Consent without also withdrawing their Tender Order submitted in connection with such Consent. Prior to the Consent Deadline, Eligible Holders may not validly withdraw a Tender Order without also revoking the Consent given in connection with such Tender Order.

Acceptance..... We reserve the right not to accept Consent and Tender Orders of Eligible Bonds of any Series in our sole discretion, if and to the extent permitted by applicable laws, rules and regulations, in each jurisdiction where we are making the Invitation; *provided that* if the conditions to the Invitation are satisfied, other than obtaining the Required Consents for one or more Series, we may at our sole discretion accept all valid Tender Orders of Eligible Bonds of all such Series. Our acceptance of Consent and Tender Orders will be subject to the satisfaction or waiver of the conditions described under "—*Conditions to the Invitation*." If Ecuador accepts Consents and/or Tender Orders with respect to any Series, it will accept all valid Consents and/or Tender Orders for all Series, including all valid Tender Orders in respect of Series where the Requisite Consents are not obtained.

Conditions to the Invitation ..... The Invitation is contingent upon the satisfaction of the following conditions, which shall be satisfied at or prior to the Expiration Date:

1. the Minimum Participation Condition.

2. the Requisite Consents are obtained and the Proposed Modifications may be adopted with respect to all Series (which condition we may waive, in our sole discretion, with respect to one or more Series),

3. receipt of the Requisite Consents for the Proposed Modifications, as applicable, after giving effect to any exclusion by us of any Series;

4. the execution of the applicable Supplemental Indentures giving effect to the Proposed Modifications;

5. the absence of any law or regulation that would, and the absence of any injunction, action or other proceeding (whether pending or threatened) that could, make unlawful or invalid or enjoin the implementation of the Proposed Modifications or the Invitation or question the legality or validity thereof; and

6. there not having been any change or development that, in the Republic's sole discretion, materially reduces the anticipated benefits to the Republic of the Invitation or that could be likely to prejudice materially the success of the Invitation or that has had, or could reasonably be expected to have, a material adverse effect on the Republic or its economy.

The Invitation is also contingent upon the satisfaction of the IMF Condition,

	which shall be satisfied on or prior to the Settlement Date, and the GLC Opinion Condition, which shall be satisfied on the Settlement Date. We reserve the right to waive or modify any term of, or terminate, the Invitation at any time and in our sole discretion; *provided that* we cannot modify or waive the Minimum Participation Condition, the IMF Condition or the GLC Opinion Condition.
The Level of Overall Participation Required for Completion of the Invitation	We will accept Consents and Tender Orders and give effect to the Proposed Modifications with respect to one or more Series only if, at or prior to the Expiration Date, we receive Consents and Tender Orders that will result in at least 80% of the aggregate principal amount Outstanding of Aggregated Eligible Bonds being modified pursuant to the Proposed Modifications or otherwise exchanged for New Securities on the terms described in this invitation memorandum (the "**Minimum Participation Condition**"). The Minimum Participation Condition cannot be waived by us.
Proposed Modifications and Waivers to Eligible Bonds	If you deliver a Consent, you are authorizing us and the Trustee, and instructing the Trustee, upon the satisfaction of the effectiveness conditions described below, to enter into the Supplemental Indentures by which all outstanding Eligible Bonds of your Series will be modified pursuant to the Proposed Modifications to replicate the economic terms of the New 2040 Bond, without changing the ISIN numbers of such Eligible Bonds and without re-issuing new Global Notes. The modifications will include reducing the outstanding principal amount of such Eligible Bonds such that for every U.S.$1,000 principal amount originally due, only U.S.$911.30 principal amount will be due. We refer herein to those Eligible Bonds as modified as the "**Modified Eligible Bonds**". Eligible Holders of Eligible Bonds who did not participate in the Invitation will have their Eligible Bonds modified as set forth under "*The Proposed Modifications*" below if we receive the Requisite Consents to the Proposed Modifications with respect to that Series. In this event, the economic terms and certain other important provisions of your Modified Eligible Bonds will differ significantly from the economic terms and other important provisions of your Eligible Bonds prior to the effectiveness of the Proposed Modifications, you will not receive the New PDI 2030 Bond and you will no longer have the right to receive the accrued and unpaid interest up to, but excluding, the Settlement Date on your Modified Eligible Bonds.
Requisite Consents for Proposed Modifications.....	*With respect to the Aggregated Eligible Bonds:* The Proposed Modifications will become effective with respect to Aggregated Eligible Bonds if valid Consents from Eligible Holders of (x) more than 50% of the aggregate principal amount at the time Outstanding of each Series of Aggregated Eligible Bonds (the "**Per Series Threshold**") and (y) not less than 66⅔% of the aggregate principal amount at the time Outstanding of all Series of Aggregated Eligible Bonds (the "**Aggregate Threshold**", together with the Per Series Threshold, the "**Aggregated Requisite Consents**"), in each case subject to re-designation in our sole discretion, have been validly delivered and accepted pursuant to the terms of the Consent Solicitation, and the other conditions described in this invitation memorandum have been either satisfied or waived by us (in our sole discretion, except for the Minimum Participation Condition, the IMF Condition, and the GLC Opinion

Condition, which may not be waived by us).

With respect to the 2024 Bond: (i) the Proposed Modifications that relate to a non-reserved matter modification will become effective if valid Consents from Eligible Holders of not less than 66⅔% of the aggregate principal amount at the time Outstanding of the 2024 Bond have been validly delivered and accepted pursuant to the terms of the Consent Solicitation, and (ii) the Proposed Modifications that relate to a reserved matter modification will become effective if valid Consents from Eligible Holders of not less than 75% of the aggregate principal amount at the time Outstanding of the 2024 Bond have been validly delivered and accepted pursuant to the terms of the Consent Solicitation (in either case, the "2024 Bond Requisite Consents") and, in each case, the other conditions described in this invitation memorandum have been either satisfied or waived by us (in our sole discretion, except for the Minimum Participation Condition, the IMF Condition, and the GLC Opinion Condition, which may not be waived by us).

For purposes of the Invitation, the Aggregated Requisite Consents and the 2024 Bond Requisite Consent, as they relate to the relevant Series of Eligible Bonds, shall be referred to as the "Requisite Consents".

If we re-designate any Series of Aggregated Eligible Bonds affected by the Proposed Modifications, any excluded Series will not be considered for the purposes of the thresholds described above. For more information, see "— *Re-Designation of Affected Series*" below.

As of the date of this invitation memorandum, the following principal amounts of Eligible Bonds were Outstanding:

Series of Eligible Bond	ISIN	Minimum Denomination	Principal Amount Outstanding
2022 Bond	XS1458516967; XS1458514673	U.S.$200,000 / U.S.$1,000	U.S.$2,000,000,000
2023 Bond	XS1626768656; XS1626768730	U.S.$200,000 / U.S.$1,000	U.S.$1,000,000,000
2025 Bond	XS2058848826; XS2058845210	U.S.$200,000 / U.S.$1,000	U.S.$600,000,000
2026 Bond	XS1535072109; XS1535071986	U.S.$200,000 / U.S.$1,000	U.S.$1,750,000,000
9.625% 2027 Bond	XS1626529157; XS1626530320	U.S.$200,000 / U.S.$1,000	U.S.$1,000,000,000
8.875% 2027 Bond	XS1707041429; XS1707041262	U.S.$200,000 / U.S.$1,000	U.S.$2,500,000,000
2028 Bond	XS1755432363; XS1755429732	U.S.$200,000 / U.S.$1,000	U.S.$3,000,000,000
2029 Bond	XS1929377015; XS1929376710	U.S.$200,000 / U.S.$1,000	U.S.$2,125,000,000
2030 Bond	XS2058866307; XS2058864948	U.S.$200,000 / U.S.$1,000	U.S.$1,400,000,000
2024 Bond	XS1080331181; XS1080330704 /	U.S.$200,000 / U.S.$1,000	U.S.$2,000,000,000

Subject to the Minimum Participation Condition, the effectiveness of the Proposed Modifications with respect to a Series of Eligible Bonds is not conditioned on the effectiveness of the Proposed Modifications with respect to any other Series of Eligible Bonds.

Re-Designation of Affected Series ..... With respect to the Aggregated Eligible Bonds, we retain the right pursuant to the applicable Indenture to, in our sole discretion and subject to the

	Minimum Participation Condition, (a) re-designate at any time (including after the Consent Deadline) one or more Series of Aggregated Eligible Bonds that will be subject to the Proposed Modifications on an aggregated basis, and (b) consider the Proposed Modifications effective with respect to one or more Series of Aggregated Eligible Bonds if we receive Aggregated Requisite Consents with respect to such Series. Such re-designation would allow us to exclude one or more Series of Aggregated Eligible Bonds from the calculation of the Aggregated Requisite Consents on an aggregated basis for the Proposed Modifications affecting the Series that have not been excluded and calculate the requisite consents on a single Series basis for each Series that has been excluded. See "*Terms of the Invitation—Requisite Consents*" for more information. With respect to the Aggregated Eligible Bonds, we also retain the right pursuant to the applicable Indenture to, in our sole discretion and subject to the Minimum Participation Condition, re-designate at any time (including after the Consent Deadline) one or more Series of the Aggregated Eligible Bonds as to which the Proposed Modifications are 'uniformly applicable' (as defined in the respective Indenture) and consider the Proposed Modifications effective with respect to such re-designated Series if we receive the Consent of not less than 75% of the aggregate principal amount of all such re-designated Series at the time Outstanding. We reserve the right to re-designate any Series after the Requisite Consents have been obtained and announced with respect to any other Series. In that event, the re-designation of a Series may affect the announcement made with respect to any other Series.
Supplemental Indentures.....	If we receive the Requisite Consents with respect to the Proposed Modifications for one or more Series of Eligible Bonds at or prior to the Consent Deadline, on the Execution Date, we and the Trustee will execute the Supplemental Indentures as necessary to modify the Eligible Bonds of such Series pursuant to the Proposed Modifications. Subject to receiving the Requisite Consents, the Supplemental Indentures will become effective upon execution by us, and the Trustee, but each will provide that the Proposed Modifications will not become operative until (i) we have completed (and not terminated) the Consent Solicitation in accordance with the terms and conditions set forth in this invitation memorandum, and (ii) each Eligible Holder who has delivered its Consent and whose Consent has been accepted by us pursuant to the Consent Solicitation shall have received the New Securities (including the New PDI 2030 Bond) as set forth in this invitation memorandum.
Settlement	If we accept your Tender Order or Consent and Tender Order, as applicable, you will receive on the Settlement Date the New Securities by credit to the same account at the principal clearing system from which your Eligible Bonds were tendered. Eligible Holders of Eligible Bonds who did not participate in the Invitation will have their Eligible Bonds modified on the Settlement Date as set forth under "*The Proposed Modifications*" below if we receive the Requisite Consents to the Proposed Modifications with respect to that Series. All Eligible Bonds exchanged pursuant to the Invitation to Exchange will be cancelled. If any court or arbitral order or administrative or legal proceeding

prohibits or delays the delivery of the New Securities, we will postpone the Settlement Date to a date no later than the Settlement Deadline until such court or arbitral order or administrative or legal proceeding no longer prohibits the delivery of the New Securities. If in our judgment, delivery cannot be effected without unreasonable delay, we will cancel the Invitation.

We will terminate the Invitation unless settlement of the Invitation occurs on or prior to August 20, 2020 (the "**Settlement Deadline**"); *provided that*, the Republic shall have the right to extend the Settlement Deadline to September 1, 2020, with the consent of the Eligible Holders representing a majority of the aggregate principal amount Outstanding of all Series of Eligible Bonds, as reasonably determined by us in our sole discretion.

Eligible Holders who wish to have their Consent and Tender Orders certified for the purposes of the extension of the Settlement Deadline pursuant to the Invitation should quote a unique identifier code ("**Unique Identifier Code**") in their Electronic Tender Instruction (as defined below) in Euroclear or Clearstream, which can be obtained by contacting Citigroup at ny.liabilitymanagement@citi.com. A Unique Identifier Code is not required for an Eligible Holder to participate in the Invitation, but if an Eligible Holder wishes to have their Consent and Tender Orders used to consent to an extension of the Settlement Deadline to September 1, 2020, such Eligible Holder should obtain a Unique Identifier Code and quote their Unique Identifier Code in their Electronic Tender Instruction in Euroclear or Clearstream. The Unique Identifier Code should be quoted in the required field as directed by their respective custodians and by Euroclear or Clearstream, as applicable, within the corresponding Electronic Tender Instruction.

The Republic shall review such Electronic Tender Instructions in order to certify consents of the Eligible Holders representing a majority of the aggregate principal amount Outstanding of all Series of Eligible Bonds. However, no assurances can be given that the Republic will exercise the right to extend the Settlement Deadline.

Taxation ..... For a discussion of the Ecuadorian and U.S. federal tax considerations of this Invitation see "*Taxation*." Each Eligible Holder should seek advice from an independent tax advisor based on its particular circumstances.

Representations and Acknowledgements of the beneficial owners of the Eligible Bonds ..... By submitting a Consent or Tender Order, Eligible Holders are deemed to make certain acknowledgments, representations, warranties and undertakings to us, the Dealer Manager, the Trustee and the Information, Tabulation and Exchange Agent.

Eligible Holders whose Consent and Tender Orders are accepted pursuant to the Invitation will, to the fullest extent permitted by applicable law, renounce and waive significant rights and interests, including the right to bring claims in connection with their tendered Eligible Bonds. Such Eligible Holders will also be required to agree to terminate any legal proceedings against the Republic relating to their tendered Eligible Bonds, waive their right to enforce any payment order, judgment, arbitral award or other such order against the Republic obtained in any such proceedings, agree that the exchange shall be deemed to constitute full performance and satisfaction by the Republic of any payment order, judgment, arbitral award or other such order relating to their tendered Eligible Bonds, and waive all rights awarded

	and any assets attached for their benefit through any prejudgment attachment, attachment in aid of execution or any other measure encumbering property or any other rights of the Republic in connection with their tendered Eligible Bonds. See "*Representations and Acknowledgements of the Beneficial Owners of the Eligible Bonds*" for the full acknowledgments, representations, warranties and undertakings that Eligible Holders will be deemed to make as a condition to their participation in the Invitation.
Jurisdictional Restrictions.....	The distribution of this invitation memorandum and the transactions contemplated herein may be restricted by law in certain jurisdictions. Persons into whose possession this material comes are required to inform themselves of and to observe any of these restrictions. This invitation memorandum does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorized or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation. In any jurisdiction in which the Invitation is required to be made by a licensed broker or dealer and in which the Dealer Manager or any affiliate thereof is so licensed, it shall be deemed to be made by the Dealer Manager or its affiliate on our behalf. If you are not a resident of the United States, Ecuador or one of the jurisdictions listed under "*Jurisdictional Restrictions*" in this invitation memorandum, you should contact the Dealer Manager to request assistance and seek your own legal advice regarding your ability to participate in the Invitation.
Dealer Manager	Citigroup Global Markets Inc.
Information, Tabulation and Exchange Agent	Global Bondholder Services Corporation
The Trustee	The Bank of New York Mellon
The Indentures	All as amended and supplemented from time to time (the "**Indentures**"): • Trust Indenture dated as of July 28, 2016, between the Republic and the Trustee, pursuant to which the 2022 Bond was issued; • Trust Indenture dated as of June 2, 2017, between the Republic and the Trustee, pursuant to which the 2023 Bond and the 9.625% 2027 Bond were issued; • Trust Indenture dated as of June 20, 2014, between the Republic and the Trustee, pursuant to which the 2024 Bond was issued; • Trust Indenture dated as of September 27, 2019, between the Republic and the Trustee, pursuant to which the 2025 Bond and the 2030 Bond was issued; • Trust Indenture dated as of December 13, 2016, between the Republic and the Trustee, pursuant to which the 2026 Bond was

issued;

- Trust Indenture dated as of October 23, 2017, between the Republic and the Trustee, pursuant to which the 8.875% 2027 Bond was issued;

- Trust Indenture dated as of January 23, 2018, between the Republic and the Trustee, pursuant to which the 2028 Bond was issued; and

- Trust Indenture dated as of January 31, 2019, between the Republic and the Trustee, pursuant to which the 2029 Bond was issued.

Risk Factors	The Invitation involves a significant degree of risk. Investors are urged to read carefully this invitation memorandum, including, in particular, "*Risk Factors*" beginning on page 20 of this invitation memorandum.
Further Information.....	Any questions or requests for assistance concerning this Invitation should be directed to the Information, Tabulation and Exchange Agent and the Dealer Manager at their respective addresses and telephone numbers set forth on the back cover of this invitation memorandum.

COMMON TERMS OF THE NEW SECURITIES

The New Securities will be issued pursuant to the New Indenture. The table set forth below presents a summary of certain terms common to all New Securities, and should be read in conjunction with the more detailed description of the bonds appearing in this invitation memorandum, particularly under "Description of the New Securities".

Issuer	The Republic of Ecuador
Status	The New Securities will be general, direct, unsecured, unsubordinated and unconditional obligations of Ecuador and will be backed by the full faith and credit of Ecuador. The New Securities will rank equally in terms of priority with Ecuador's External Indebtedness (other than Excluded Indebtedness), *provided that* such ranking is in terms of priority only and does not require that Ecuador make ratable payments on the New Securities with payments made on its other External Indebtedness. See "*Description of the New Securities*".
Additional Amounts	Payments of principal of, and premium, if any, and interest on the New Securities are not currently subject to withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature in Ecuador. All payments by Ecuador in respect of the New Securities shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or other governmental charges of whatever nature, unless the withholding or deduction is required by law. If any such withholding or deduction is imposed or levied by or on behalf of Ecuador, or any political subdivision or taxing authority or agency therein or thereof having the power to tax, Ecuador will pay such additional amounts as may be necessary to ensure that the amounts received by holders or beneficial owners after such withholding or deduction shall equal the respective amounts of principal and interest that would have been receivable in respect of the New Securities in the absence of such withholding or deduction, except under certain circumstances. See "*Description of the New Securities—Additional Amounts*".
Modification Provisions	The New Securities will contain provisions, commonly known as "collective action clauses," regarding future modifications to the terms of the New Securities. Under these provisions the Republic may amend the payment provisions of any series of debt securities issued under the New Indenture with the consent of less than all of the holders of such New Securities. See "*Description of the New Securities—Meetings, Amendments and Waivers—Collective Action"*
Events of Default	Each of the following is an event of default with respect to the New Securities: 1. *Non-Payment.* (i) Failure to pay principal on the New Securities when due (unless such non-payment is due to an administrative or technical error and is remedied within five (5) business days of the date when such payment is due); or (ii) failure to pay interest on the New Securities within 30 days following the due date; or 2. *Breach of Other Obligations.* Failure to observe or perform any of the covenants or agreements provided herein or in the New Indenture (in each case, other than those referred to in (a) above) for a period of 30 days following written notice to Ecuador by the trustee or holders representing at least 25% in principal amount of the then outstanding

New Securities to remedy such failure; or

3. *Cross-Default.* (i) Ecuador fails to make any payment in respect of any External Indebtedness (other than Excluded Indebtedness) in an aggregate principal amount in excess of U.S.$50,000,000 (or its equivalent in any other currency) when due (as such date may be extended by virtue of any applicable grace period or waiver); or (ii) The holders of at least 25% of the aggregate outstanding principal amount of any External Indebtedness (other than Excluded Indebtedness) having an aggregate principal amount in excess of U.S.$50,000,000 (or its equivalent in any other currency), accelerate or declare such External Indebtedness to be due and payable, or required to be prepaid (other than by a regularly scheduled prepayment), prior to its stated maturity, as a result of any default by Ecuador under such External Indebtedness, and such acceleration, declaration or prepayment is not annulled or rescinded within 30 days;

4. *Moratorium.* Ecuador, or a court of proper jurisdiction, declares a formal and official suspension of payments or a moratorium with respect to the payment of principal of, or interest on, Ecuador's External Indebtedness (other than Excluded Indebtedness);

5. *Validity.* (i) Ecuador denies, repudiates or contests any of its obligations under the New Securities in a formal administrative, legislative, judicial or arbitral proceeding; or (ii) Any constitutional provision, treaty, law, regulation, decree, or other official pronouncement of Ecuador, or any final decision by any court in Ecuador having jurisdiction, renders it unlawful for Ecuador to pay any amount due on the New Securities or to perform any of its obligations under the New Securities;

6. *IMF Membership.* Ecuador fails to maintain its membership in the IMF or ceases to be eligible to use the resources of the IMF;

7. *CAF, FLAR and IDB Membership.* Ecuador fails to maintain its membership in, or its eligibility to use the general resources or equivalent of, any of CAF, FLAR and IDB;

8. *Judgment.* There shall have been entered against Ecuador or the Banco Central in a matter related to External Indebtedness (other than Excluded Indebtedness) a final judgment, decree or order by a court of competent jurisdiction from which no appeal may be made, or is made within the time limit for doing so, for the payment of money in excess of U.S.$ 50,000,000 (or its equivalent in another currency) and 120 days shall have passed since the entry of any such order without Ecuador having satisfied the judgment;

9. *Arbitral Award.* There shall be made against Ecuador or the Banco Central in a matter related to External Indebtedness (other than Excluded Indebtedness) an arbitral award by a tribunal of competent jurisdiction from which no appeal or application to a tribunal or court of competent jurisdiction to set aside may be made, or is made within the time limit for doing so, for the payment of money in excess of U.S.$ 50,000,000 (or its equivalent in another currency) and 120 days shall have passed since the making of any such award without

Ecuador having satisfied the award; and

10. *Information Covenant*. Ecuador fails to publish on an annual basis no later than June 30 of the relevant year (which can be by posting to a publicly available website maintained by Ecuador) the Republic Aggregate Debt Information with respect to the preceding calendar year for a period of 90 days following written notice to Ecuador by the trustee or holders representing at least 25% in principal amount of the then outstanding New Securities to remedy such failure;

Settlement; Form	The New Securities will be represented by one or more registered bonds in global form, but in certain limited circumstances may be represented by bonds in certificated form. See "*Description of the New Securities—General Terms of the New Securities—Basic Terms".*
	Application will be made for all of the New Securities to clear through Euroclear and Clearstream. See "*General Information—Clearing*".
	The New Securities will be issued in minimum denomination of U.S.$1.00 and integral multiples of U.S.$1.00 in excess thereof.
Prescription.....	To the extent permitted by law, claims against Ecuador for the payment of principal of or interest or other amounts due on, the New Securities (including Additional Amounts (as defined below)) will become void unless made within six years of the date on which that payment first became due.
Governing Law	The New Securities will be, and the New Indenture is, governed by, and construed in accordance with, the laws of the State of New York, except that all matters governing jurisdiction of disputes involving Ecuador are governed by the laws of England.
Listing.....	The Republic expects to list each series of New Securities on the Luxembourg Stock Exchange and to have each series of New Securities admitted for trading on the Euro MTF Market, in each case as soon as practicable after the Settlement Date.
Trustee, Registrar and Transfer Agent	The Bank of New York Mellon
London Paying Agent.....	Ecuador has initially appointed The Bank of New York Mellon, London Branch to serve as London paying agent.
Luxembourg Listing Agent.....	Ecuador has initially appointed The Bank of New York Mellon SA/NV, Luxembourg Branch to serve as Luxembourg paying agent and Luxembourg listing agent.

FINANCIAL TERMS OF THE NEW SECURITIES

The table set forth below presents a summary description of certain financial terms of the New Securities, and should be read in conjunction with the more detailed description of the bonds appearing elsewhere in this invitation memorandum. You should refer to "Terms of the Invitation—Consideration to Be Received Pursuant to Consent and Tender Orders" to determine your allocation of New Securities which will depend on the Eligible Bonds you hold.

New Securities	Interest Rate Accrual	Maturity	Principal Repayment
New 2030 Bond	1. From and including the Settlement Date to but excluding July 31, 2021: 0.500%; 2. From and including July 31, 2021 to but excluding July 31, 2022: 5.000%; 3. From and including July 31, 2022 to but excluding July 31, 2023: 5.500%; 4. From and including July 31, 2023 to but excluding July 31, 2024: 6.000%; 5. From and including July 31, 2024 to but excluding July 31, 2030: 6.900%.	July 31, 2030	Principal on the New 2030 Bond will be repaid in U.S. dollars in ten equal semi-annual installments starting on January 31, 2026 through maturity.
New 2035 Bond	1. From and including the Settlement Date to but excluding July 31, 2021: 0.500%; 2. From and including July 31, 2021 to but excluding July 31, 2022: 1.000%; 3. From and including July 31, 2022 to but excluding July 31, 2023: 2.500%; 4. From and including July 31, 2023 to but excluding July 31, 2024: 3.500%; 5. From and including July 31, 2024 to but excluding July 31, 2025: 5.500%; 6. From and including July 31, 2025 to but excluding July 31, 2035: 6.900%.	July 31, 2035	Principal on the New 2035 Bond will be repaid in U.S. dollars in ten equal semi-annual installments starting on January 31, 2031 through maturity.

New 2040 Bond	1. From and including the Settlement Date to but excluding July 31, 2021: 0.500%; 2. From and including July 31, 2021 to but excluding July 31, 2022: 0.500%; 3. From and including July 31, 2022 to but excluding July 31, 2023: 1.500%; 4. From and including July 31, 2023 to but excluding July 31, 2024: 2.500%; 5. From and including July 31, 2024 to but excluding July 31, 2026: 5.000%; 6. From and including July 31, 2026 to but excluding July 31, 2027: 5.500%. 7. From and including July 31, 2027 to but excluding July 31, 2028: 6.000%. 8. From and including July 31, 2028 to but excluding July 31, 2029: 6.500%. 9. From and including July 31, 2029 to but excluding July 31, 2040: 6.900%.	July 31, 2040	Principal on the New 2040 Bond will be repaid in U.S. dollars in ten equal semi-annual installments starting on January 31, 2036 through maturity.
New PDI 2030 Bond	0%	July 31, 2030	Principal on the New PDI 2030 Bond will be repaid in U.S. dollars in ten equal semi-annual installments starting on January 31, 2026 through maturity.

BACKGROUND TO THE INVITATION

For a detailed description of the current economic and financial situation of the Republic, see Appendix A. Please read carefully the information contained in this section together with the information set forth on Appendix A.

In recent years, the Republic has pursued prudent fiscal, monetary, and economic policies to consolidate its public finances and boost economic growth. Although these measures have proven effective in part (i.e., budget deficits have declined, the Central Bank of Ecuador has increased reserves, and economic reforms have improved the competitiveness of the Ecuadorian economy), additional measures are necessary to put Ecuador's economic development on a long term positive trajectory. Ecuador remains vulnerable to external shocks due to its weak fiscal position, lack of economic buffers and limited monetary tools. The outbreak of the COVID19 crisis, and the significant drop in the export price for Ecuador's crude oil have compromised severely Ecuador's ability to meet its obligations with all of its stakeholders.

On April 17, 2020, the Republic announced that it had received the consents of the holders to amend the Eligible Bonds and the respective indentures to provide short term relief from its financial obligations. The Invitation is another step intended to allow Ecuador and the holders of Eligible Bonds as well as other creditors, including the IMF and other official sector creditors, to engage proactively and in an orderly manner in a negotiation intended to create new and appropriate conditions of sustainability for Ecuador's debt burden. Adjusting Ecuador's debt profile to sustainable terms is a condition to the success of any program that Ecuador can develop to achieve the goals referred to above.

The overall purpose of the Invitation is to create the conditions of long-term sustainability of Ecuador's debt burden. For more information, see "*Appendix A—The Republic of Ecuador*".

RISK FACTORS

This section describes certain risks associated with participating in the Invitation and investing in the New Securities. Investors should consult their financial and legal advisors about the risk of participating in the Invitation and investing in the New Securities. Ecuador disclaims any responsibility for advising investors on these matters.

Risk Factors Relating to the Invitation

Risks of Not Participating in the Invitation

The Eligible Bonds may enter into default. If the Eligible Bonds are not tendered in the Invitation and do in fact enter into default, they may remain in default indefinitely and, if you elect to litigate, the Republic intends to oppose such attempts to collect on its defaulted debt.

In the event that the Proposed Modifications are not effective with respect to a particular Series, Eligible Bonds of such Series that are not exchanged pursuant to the Invitation may enter into default and remain in default indefinitely. In light of its financial and legal constraints, the Republic may find it difficult to continue its payments on any Eligible Bonds that remain outstanding following the expiration of the Invitation. Consequently, if you elect not to tender your Eligible Bonds pursuant to the Invitation, there can be no assurance that you will receive any future payments or be able to collect through litigation in respect of your Eligible Bonds.

The Invitation includes a request of all Series to approve the September 2020 Specified Waiver and if such request is not approved with respect to one Series, following August 10, 2020, there may be payment defaults on such Series, thereby resulting in cross-defaults on other indebtedness of the Republic (including certain of its bilateral indebtedness) which in turn could trigger a cross-default on the Eligible Bonds of other Series and, if the Invitation is successful with respect to certain Series, on the New Securities

On April 17, 2020, Holders of the Eligible Bonds gave their consent to certain proposed amendments to each of the Ecuador Eligible Bonds pursuant to two consent solicitations pursuant to which we modified the applicable indentures of the Eligible Bonds to defer until August 15, 2020 (or August 10, 2020 if a new successor IMF supported program was not publicly announced by the IMF and Ecuador by that date (the "April IMF Condition")), all scheduled interest payments due under the Eligible Bonds between March 27, 2020 and July 15, 2020 (see "*Appendix A—Public Debt— The April 2020 Consent Solicitations to Bondholders*"). We have requested Eligible Holders whose Eligible Bonds are accepted by us to agree to (A) waive any and all defaults and cross-defaults, as applicable, that may have occurred or will occur under the Eligible Bonds (prior to the effectiveness of the Proposed Modifications and consummation of the Invitation with respect to such Eligible Bonds) as the result of (i) any failure by the Republic to pay interest and any Additional Amount (as defined in the applicable Indenture) on each originally scheduled payment date set forth in the Eligible Bonds occurring between March 27, 2020, and September 2020 Specified Date, (ii) a default under any series of Eligible Bonds for which the Required Consents are not obtained at or prior to the Consent Deadline, and (iii) the entering or issuance of judgments or arbitral awards relating to any series of Eligible Bonds for which the Required Consents are not obtained at or prior to the Consent Deadline, and (B) waive and release the Republic from any and all claims such Eligible Holders may have now or in the future in connection with or arising out of any such defaults and cross-defaults, as applicable, and acknowledge and agree that any such defaults and cross-defaults shall be deemed cured upon the effectiveness of the Proposed Modifications and consummation of the Invitation, see "*Proposed Modifications—Waiver of Past and Future Defaults*". If the September 2020 Specified Waiver is not obtained with respect to any one Series, this could result in a payment default under such Series on August 15, 2020, or August 10, 2020, if the April IMF Condition is not reached by then. If there is a payment default under such series this could result in a cross-default under other indebtedness of the Republic (including certain bilateral indebtedness) which could result in cross-defaults under Series of Eligible Bonds that have been amended pursuant to the Proposed Modifications and if the Invitation is successful with respect to certain Series, under the New Securities.

If the Invitation is completed, the trading market for any Eligible Bonds not exchanged may become illiquid, which may adversely affect the market value of those Eligible Bonds and the ability of holders to sell those Eligible Bonds.

All Eligible Bonds tendered and accepted in the Invitation will be cancelled. The exchange of Eligible Bonds of any Series pursuant to the Invitation will reduce the aggregate principal amount of Eligible Bonds of that Series that otherwise may trade in the market. Shortly before the commencement of the Invitation, there was not a liquid market for most or all Series, and the Republic expects that this illiquidity will worsen once the tendered Eligible Bonds are cancelled. If you elect not to participate in the Invitation, it may become more difficult for you to trade your Eligible Bonds and the market value of your Eligible Bonds may be adversely affected.

In the Event of Partial Success or Failure of the Invitation, Ecuador Faces High Default and Refinancing Risk

If the Invitation is not consummated or if consummated but any debt relief obtained is not sufficient for the Republic to regain the sustainability of its debt, then the Republic may not be able to continue regular payments on a portion or all of its indebtedness and faces a significant risk of default, which would further impair the value and trading liquidity of the Eligible Bonds. Failure to put the Republic's debt on a sustainable path is likely to result in continued lack of access to the international capital markets by the Republic for the foreseeable future and may further limit access to official sector financing.

Risks of Modification of the Terms and Conditions of the Eligible Bonds

The Eligible Bonds' Indentures permit specified majorities of Holders of a series or groups of Series to approve a modification to the terms and conditions of such Eligible Bonds without the consent of all Holders. If we receive the Requisite Consents with respect to the Proposed Modifications to one or more Series (on an aggregated basis or on a single series basis), the other conditions to the effectiveness of the Proposed Modifications indicated in this Invitation Memorandum are met and we decide to declare the Proposed Modifications effective with respect to those series, then those Proposed Modifications will be conclusive and binding on all (i) Holders of those Series, whether or not they have consented to the Proposed Modifications and (ii) Ineligible Holders of those Series. In that event, Eligible Holders that tendered Eligible Bonds will be entitled to receive the New Securities and all Eligible Bonds held by non-consenting Eligible Holders and Ineligible Holders will be modified pursuant to the Proposed Modifications.

In addition, following the consummation of the Invitation, if the Proposed Modifications become effective, a default on any Eligible Bonds will not result in a cross-default on (or become the basis for a cross-acceleration of) any New Securities. Even if the Proposed Modifications for a Series do not become effective, we cannot assure you that there will not be future restructurings or exchange offers in which the terms of your Eligible Bonds may be changed without your consent contrary to your interest if the required percentage of Holders approve such an offer.

Differences between the Eligible Bonds and the Modified Eligible Bonds

If you do not participate in the Invitation, but the Requisite Consents are obtained and the Proposed Modifications become effective your Eligible Bonds will become Modified Eligible Bonds. The Modified Eligible Bonds will be discounted from the original nominal value of your Eligible Bonds, the interest rates of the Modified Eligible Bonds will be lower than the interest rates applicable to your Eligible Bonds and may have a longer maturity than your Eligible Bonds, which will expose you to Ecuador's sovereign risk for a longer period of time. In addition, you will not be entitled to accrued and unpaid interest on the Modified Eligible Bonds nor receive the New PDI 2030 Bonds. The Modified Eligible Bonds will also eliminate certain non-payment related provisions and certain events of default and other rights by "covenant stripping" in the Eligible Bonds, see "*Proposed Modifications.*" You should weigh these considerations against the risks of t participating in the Invitation described below.

Ineligible Holders are not permitted to participate in the Invitation but will nevertheless be subject to the Proposed Modifications if they are beneficial owners of a Series for which the Requisite Consents are obtained

The Invitation is not being made to any Ineligible Holder and Ineligible Holders will not be given the opportunity to state their views on the Proposed Modifications. As a result, no "offer" of new securities is being made to Ineligible Holders. Any holder who does not deliver a Consent is effectively not consenting to the

Proposed Modifications. Therefore, it will be necessary for other Eligible Holders representing a greater nominal principal amount Outstanding to consent to the Proposed Modifications. If the Proposed Modifications become effective, then, in accordance with the terms of such Eligible Bonds, the Eligible Bonds will be modified to be the Modified Eligible Bonds, and such modification will affect all Holders and Ineligible Holders of those Series, regardless of whether they consented or if they were entitled to participate in the Invitation.

Risks of Participating in the Invitation

Differences between the terms of the Eligible Bonds and the New Securities.

The financial terms and certain other conditions of the New Securities will be substantially different to those of the Eligible Bonds. Eligible Holders of Eligible Bonds should carefully consider these differences (which include, *inter alia*, the (original) principal amount, the payment dates, the interest rate, the maturity date and cross-defaults) in deciding whether to participate in the Invitation in respect of their Eligible Bonds.

Your decision to tender or exchange Eligible Bonds should be made with the understanding that you will receive securities discounted from the original nominal value of your Eligible Bonds. The amount of New Securities that you will receive per amount of the Eligible Bonds you tender is outlined in "*Terms of the Invitation—Consideration to Be Received Pursuant to Consent and Tender Orders*". The New Securities may trade at a discount to their principal amount. Further, the interest rates of New Securities you receive will be lower than the interest rates applicable to your Eligible Bonds, and by tendering your Eligible Bonds, if such tender is accepted, you will not be entitled to accrued and unpaid interest on your tendered Eligible Bonds prior to the Settlement Date, although you will receive the New PDI 2030 Bond. If the New Securities you receive have a longer maturity than your Eligible Bonds, that will expose you to Ecuador's sovereign risk for a longer period of time. In addition, the lower fixed interest rates and longer maturities of the New Securities, as applicable, expose you to interest rate risk over a longer period of time, such that if interest rates rise generally, the price of your New Securities will fall. You should weigh these considerations against the risks of not participating in the Invitation described above.

Re-Designation of the Affected Series

With respect to the Aggregated Eligible Bonds, we retain the right pursuant to the applicable Indenture to, in our sole discretion and subject to the Minimum Participation Condition, to (a) re-designate at any time (including after the Consent Deadline) one or more Series of Aggregated Eligible Bonds that will be subject to the Proposed Modifications on an aggregated basis, and (b) consider the Proposed Modifications effective with respect to one or more Series of Eligible Bonds if we receive Requisite Consents with respect to such Series. Such re-designation would allow us to exclude one or more Series of Eligible Bonds from the calculation of the Requisite Consents on an aggregated basis for the Proposed Modifications affecting the Series that have not been excluded and calculate the Requisite Consent on a single Series basis for each Series that has been excluded.

With respect to the Aggregated Eligible Bonds, we also retain the right pursuant to the applicable Indenture to, in our sole discretion and subject to the Minimum Participation Condition, re-designate at any time (including after the Consent Deadline) one or more Series of the Aggregated Eligible Bonds as to which the Proposed Modifications are 'uniformly applicable' (as defined in the respective Indenture) and consider the Proposed Modifications effective with respect to such re-designated Series if we receive the Consent of not less than 75% of the aggregate principal amount of all such re-designated Series at the time Outstanding. We reserve the right to re-designate any Series after the Requisite Consents have been obtained and announced with respect to any other Series. In that event, the re-designation of a Series may affect the announcement made with respect to any other Series.

As such, re-designation will allow us, in our sole discretion, to (a) re-designate at any time (including after the Consent Deadline) one or more Series of Aggregated Eligible Bonds that will be subject to the Proposed Modifications on an aggregated basis, and (b) consider the Proposed Modifications effective with respect to one or more Series of Eligible Bonds if we receive Requisite Consents with respect to such Series. Such re-designation would allow us to exclude one or more Series of Eligible Bonds from the calculation of the Requisite Consents on an aggregated basis for the Proposed Modifications affecting the Series that have not been excluded and calculate the Requisite Consent on a single Series basis for each Series that has been excluded. In that event, all Eligible

Bonds held by non-consenting Holders and Ineligible Holders will be modified to reflect the economic terms of the New 2040 Bond.

Eligible Holders should understand the schedule and terms of the Invitation before tendering any Eligible Bonds. In particular, holders should be aware that the terms of the Invitation allow the Republic to terminate or extend the Invitation, to withdraw or amend the Invitation in one or more jurisdictions, and to reject valid tenders of Eligible Bonds, in each case at the Republic's sole discretion. Eligible Holders should also be aware that once they tender Eligible Bonds pursuant to the Invitation, they will not be able to withdraw such tenders except under certain limited circumstances.

The terms of the Invitation allow the Republic, in its sole discretion and to the fullest extent permitted by applicable laws, to extend or terminate the Invitation for any Series, to withdraw or amend the Invitation for any Series, and to reject valid tenders of Eligible Bonds even following the Announcement Date, in certain circumstances. Announcements in connection with the Invitation (including announcements with respect to the termination, extension, withdrawal or amendment of the Invitation) will be displayed on the Information Website and the website of the Luxembourg Stock Exchange (http://www.bourse.lu) and, to the extent provided in this document, will be issued by press release to the news services. Accordingly, there can be no assurance that the exchange of Eligible Bonds pursuant to the Invitation will be completed for a particular Series. Even if the exchange is consummated, there can be no assurance that it will be completed in accordance with the schedule and terms set forth in this document.

The Republic reserves the right to extend or delay the Settlement Date for any Series, to terminate the Invitation for any Series after the Announcement Date or to modify the settlement procedures in our sole discretion; provided that we cannot modify or waive the additional conditions to the Proposed Modification described under "*Terms of the Invitation—Conditions to the Invitation and the Proposed Modifications*" except to the extent described in this Invitation Memorandum.

Tendering holders will not receive any New Securities in exchange for their tendered Eligible Bonds until the Settlement Date. The time between the Expiration Date and the Settlement Date will be at least five business days, and could be significantly longer. If completion of the Invitation is delayed, tendering holders may have to wait longer than expected to receive any New Securities.

All questions regarding the validity, form and eligibility, including time of receipt or revocation or revision, of any electronic acceptance notice or letter of transmittal, if applicable, will be determined by the Republic in its sole discretion, which determination will be final and binding.

The Republic has established certain procedures for tendering holders to effectuate their tenders, including procedures for submitting electronic acceptance notices. If you (or the person acting on your behalf) fail to submit an electronic acceptance notice by the applicable deadline, or your electronic acceptance notice is not complete or cannot be reconciled to the corresponding electronic acceptance notice, the Republic reserves the absolute right to (a) reject your Consent and Tender Order, (b) require that you remedy any errors or defects in your Consent and Tender Order, or (c) waive any such errors or defects and accept your Consent and Tender Order.

The Invitation is subject to a Minimum Participation Condition, which may not be waived by the Republic; litigation may delay or cause the termination of the Invitation.

The Invitation is conditioned on the satisfaction of the Minimum Participation Condition, which may not be waived by the Republic. Litigation may result in delay or cause the termination of the Invitation. If any court or arbitral order or administrative or legal proceeding prohibits or delays the cancellation of any tendered Eligible Bonds, the Republic may postpone the Settlement Date for each affected Series, until the Eligible Bonds can be cancelled or, if in its judgment, cancellation cannot be effected without unreasonable delay (and if and to the extent permitted by the terms of this Invitation), it may cancel the Invitation for each affected Series and return the Eligible Bonds to the tendering holders.

The New Securities issued in the Invitation will be unsecured, and they will be issued at a discount to the aggregate principal amount outstanding of the Eligible Bonds you tender and may have longer maturities than your Eligible Bonds; you should weigh these considerations against the risk of not participating in the Invitation, as described above.

Your decision to tender Eligible Bonds should be made with the understanding that you will receive unsecured New Securities in the Invitation in an amount discounted from the aggregate principal amount outstanding of your Eligible Bonds. In addition, the longer maturity of certain of the New Securities as compared to the Eligible Bonds exposes you to the Republic's sovereign risk and interest rate risk for a longer period of time. That is, if interest rates rise generally, the price of your New Securities may fall, while if interest rates fall generally, the price of your New Securities may rise. You should weigh these considerations against the risks of not participating in the Invitation described above.

Certain creditors of the Republic may attempt to challenge the progress or consummation of the Invitation or may attempt to attach assets in connection with the Invitation, which may result in the delay or termination of the Invitation if litigation frustrates its purpose.

The Republic may be subject to efforts by certain creditors to enjoin or otherwise prevent the consummation of the Invitation or to attach assets in connection with the Invitation, and the Republic may delay or terminate the Invitation if litigation frustrates its purpose. While the Republic intends to vigorously oppose any such litigation efforts, the Republic cannot assure you of its success.

By tendering Eligible Bonds pursuant to the Invitation, holders will renounce and waive significant rights and interests, including the right to bring claims against the Republic in litigation and arbitration, and will be required to terminate any legal or arbitral proceedings against the Republic.

Eligible Holders tendering Eligible Bonds pursuant to the Invitation will, to the fullest extent permitted by applicable law, renounce and waive significant rights and interests, including the right to bring claims in connection with their tendered Eligible Bonds. Eligible Holders will also be required to agree to terminate any legal proceedings against the Republic relating to their tendered Eligible Bonds, waive their right to enforce any payment order, judgment, arbitral award or other such order against the Republic obtained in any such proceedings, agree that the exchange shall be deemed to constitute full performance and satisfaction by the Republic of any payment order, judgment, arbitral award or other such order relating to the tendered Eligible Bonds, and waive all rights awarded and any assets attached for their benefit through any prejudgment attachment, attachment in aid of execution or any other measure encumbering property or any other rights of the Republic in connection with their tendered Eligible Bonds. See "*Terms of the Invitation—Representations and Acknowledgements of the Beneficial Owners of the Eligible Bonds*" for the full acknowledgments, representations, warranties and undertakings that Eligible Holders will be deemed to make as a condition to their participation in the Invitation.

Risk Factors Relating to the New Securities

There may be no active trading market for the New Securities, or the trading market for the New Securities may be volatile and may be adversely affected by many factors.

The New Securities will not have any established trading market when issued, and there can be no assurance that an active trading market for the New Securities will develop, or, if one does develop, that it will be maintained. If an active trading market for the New Securities does not develop or is not maintained, investors may not be able to sell their New Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and the market or trading price and liquidity of the New Securities may be adversely affected. Even if a trading market for the New Securities develops, the New Securities may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, and the financial condition of Ecuador. Although application will be made to list the New Securities on the Official List of the Luxembourg Stock Exchange, and to have the New Securities admitted to trading on the Euro MTF Market, in each case as soon as practicable after the Settlement Date, there can

be no assurance that such application will be accepted or that an active trading market will develop. Illiquidity may have a material adverse effect on the market value of the New Securities.

The price at which the New Securities will trade in the secondary market is uncertain.

Application will be made to list the New Securities on the Official List of the Luxembourg Stock Exchange, and to have the New Securities admitted to trading on the Euro MTF Market, as soon as practicable after the Settlement Date. No assurance can be given as to the liquidity of the trading market for the New Securities. The price at which the New Securities will trade in the secondary market is uncertain.

The fair market value of the New PDI 2030 Bonds a consenting U.S. Holder receives pursuant to the Exchange Offer will be taxable as ordinary interest income for U.S. federal income tax purposes, and a portion of the other New Securities that such U.S. Holder receives pursuant to the Exchange Offer (or the Modified Eligible Bonds that a non-consenting U.S. Holder receives pursuant to the Proposed Modifications) could be so treated.

Consenting Eligible Holders who tender their Eligible Bonds in an Exchange Offer will receive New PDI 2030 Bonds in respect of accrued and unpaid interest on a tendered Eligible Bond. If you are a consenting U.S. Holder (as defined in "*Taxation—U.S. Federal Income Tax Consequences*" below), the fair market value of any New PDI 2030 Bonds so received will be taxable to you as ordinary interest income. In addition, it is possible that a portion of the New Securities other than the New PDI 2030 Bonds you receive pursuant to an Exchange Offer would be treated under U.S. Treasury regulations as a payment of any remaining accrued but unpaid interest on the Eligible Bonds. Similarly, if you are a non-consenting U.S. Holder and receive Modified Eligible Bonds pursuant to the Proposed Modifications, it is possible that the receipt of a portion of the Modified Eligible Bonds would be treated under those regulations as a payment of accrued but unpaid interest. Any portion of the New Securities or Modified Eligible Bonds so treated would be taxable as ordinary interest income and would be excluded from the calculation of gain or loss upon the receipt of New Securities by consenting U.S. Holders pursuant to an Exchange Offer or the receipt of Modified Eligible Bonds by non-consenting U.S. Holders pursuant to the Proposed Modifications. You should consult your own tax advisors regarding the treatment of accrued but unpaid interest on your Eligible Bonds.

For additional important information, see the discussion under "*Taxation—U.S. Federal Income Tax Consequences*" below. In general, each U.S. Holder should consult its own tax advisor with regard to the Invitation and the application of U.S. federal income tax laws, as well as the laws of any state, local or non-U.S. taxing jurisdictions, to its particular situation.

The New Securities a consenting U.S. Holder receives pursuant to the Exchange Offer, and any Modified Eligible Bonds that a non-consenting U.S. Holder receives pursuant to the Proposed Modifications, will be issued with original issue discount for U.S. federal income tax purposes. As a result, such U.S. Holders may recognize substantial ordinary interest income with respect to the New Securities or Modified Eligible Bonds (as the case may be) in excess of the stated interest paid on such New Securities or Modified Eligible Bonds.

For U.S. federal income tax purposes, the issue price of the New Securities issued to consenting holders pursuant to an Exchange Offer, and the issue price of any Modified Eligible Bonds received by non-consenting holders pursuant to the Proposed Modifications, is expected to be substantially less than the relevant bond's stated principal amount. In addition, all payments or accruals of stated interest on the New Securities (other than the New PDI 2030 Bonds) and the Modified Eligible Bonds in excess of the initial fixed rate payable on such New Securities or Modified Eligible Bonds (as the case may be) will be included in the stated redemption price at maturity of such bonds, thereby increasing the amount of OID on such bonds.

A U.S. Holder generally will be required to accrue this OID on a constant yield basis over the term of such New Securities or Modified Eligible Bonds (as the case may be). The OID may substantially exceed cash received by the U.S. Holder in all years prior to maturity, redemption or disposition of such New Securities or Modified Eligible Bonds.

For additional important information, see the discussion under "*Taxation—U.S. Federal Income Tax Consequences"* below. In general, each U.S. Holder should consult its own tax advisor with regard to the Invitation and the application of U.S. federal income tax laws, as well as the laws of any state, local or non-U.S. taxing jurisdictions, to its particular situation.

The New Securities contain provisions that allow the payment terms to be amended without the consent of all holders.

The New Securities contain provisions, commonly known as "collective action clauses," regarding acceleration of the applicable series of New Securities and voting on future amendments, modifications and waivers to the terms and conditions of such New Securities. Under these provisions, which are described in the sections entitled "*Description of the New Securities—Events of Default*" and "*Description of the New Securities—Meetings, Amendments and Waivers—Collective Action*" in the Invitation Memorandum, Ecuador may: (a) amend the payment provisions of any series of New Securities and certain other reserved matters with the consent of the holders of 75% of the aggregate amount of the outstanding New Securities of such series and other non-reserved matters with the consent of the holders of 66 ⅔% of the aggregate amount of the outstanding New Securities of such series; (b) make reserved matter modifications affecting two or more series of debt securities with the consent of (x) holders of at least 66⅔% of the aggregate principal amount of the outstanding debt securities of all series that would be affected by that reserved matter modification (taken in aggregate) and (y) holders of more than 50% of the aggregate principal amount of the outstanding debt securities of each affected series (taken individually); or (c) make reserved matter modifications affecting two or more series of debt securities with the consent of holders of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series (taken in aggregate), provided that the Uniformly Applicable condition is satisfied.

Certain federal court decisions in the United States create uncertainty regarding the meaning of ranking provisions and could potentially reduce or hinder the ability of sovereign issuers to restructure their public sector debt.

In litigation in federal courts in New York captioned *NML Capital, Ltd. v. Republic of Argentina*, the U.S. Court of Appeals for the Second Circuit ruled on August 23, 2013 that the ranking clause (which included ratable payment language) in certain defaulted New Securities issued by Argentina, prevents Argentina from making payments in respect of new performing notes that it issued in exchange for the defaulted notes in a restructuring in which a certain minority of holders elected not to participate, unless it makes *pro rata* payments in respect of the defaulted notes that rank *pari passu* with new notes. The defaulted notes in this case did not contain the "collective action clauses" referred to in the preceding risk factor. While the U.S. Court of Appeals for the Second Circuit's decision was narrowly tailored to the facts of the case, including the conduct of Argentina and the specific wording of the *pari passu* clause in the defaulted notes, the implication from this case is that it may be more difficult for sovereign debtors to restructure their debts.

On February 18, 2014, the Republic of Argentina filed a petition in the U.S. Supreme Court seeking review of the Second Circuit's August 2013 ruling. On June 16, 2014, the U.S. Supreme Court denied the Republic of Argentina's petition for review, thereby letting stand the Second Circuit's August 2013 ruling. On July 22, 2014, the U.S. District Court for the Southern District of New York enforced the ruling and barred the international trustee from making a U.S.$539 million payment to bondholders of the new performing notes that Argentina issued in exchange for the defaulted notes. On the same date, the U.S. District Court ordered Argentina to undergo continuous mediation and settlement talks with holders of the defaulted notes.

On June 16, 2014, the U.S. Supreme Court issued an opinion in a related case, ruling that the Republic of Argentina is not immune from complying with a judgment creditor's discovery demands seeking information about its assets outside the United States. On August 11, 2014, the U.S. District Court for Nevada granted NML Capital, Ltd's motion to compel discovery of information regarding Argentine assets in the United States.

On February 25, 2015, the U.S. District Court for the Southern District of New York ordered Deutsche Bank and JPMorgan Chase and Co. to deliver the documents relevant to Argentina's planned new issuance of dollar-denominated debt to the court and NML Capital, Ltd.

On December 10, 2015, Mauricio Macri became the new president of Argentina. Under his administration, Argentina negotiated and reached settlements with a group of holdout creditors for U.S.$1.35 billion on February 2, 2016, and a group of six other holdout creditors for U.S.$1.1 billion on February 18, 2016. On February 19, 2016, the U.S. District Court lifted its ban on payments to creditors on the condition that Argentina repeal two laws enacted for the purpose of blocking agreements with holdout creditors and agree to pay remaining holdouts by a certain date. Argentina's congress repealed the two laws on March 31, 2016. The U.S. Court of Appeals for the Second Circuit voted to confirm the lifting of the ban on April 13, 2016. Argentina proceeded with a sale of U.S.$16.5 billion in sovereign bonds on April 19, 2016.

On December 22, 2016, the U.S. District Court for the Southern District of New York issued an opinion dismissing claims by certain institutional investors that had not participated in the February 2016 settlements, rejecting their claims based upon the breach of the pari passu clause and any claims that accrued outside of the six-year statute of limitations. In this new decision, the U.S. District Court held that Argentina's payments to creditors who participated in the settlement were not a violation of the rights of the non-settling investors. The U.S. District Court also found that even if the *pari passu* clause had been breached, monetary damages would be barred as duplicative of the damages from failure to pay, and an injunction would be granted only in extraordinary circumstances. The December 22, 2016 decision by the U.S. District Court appears to limit the application of the prior rulings in the litigation relating to the defaulted notes, although it is difficult to predict what impact, if any, the December 22, 2016 decision will have on sovereign issuers such as Ecuador.

Despite the above recent developments and settlement agreements between the Republic of Argentina and its creditors, Ecuador cannot predict what impact, if any, the above U.S. court rulings will have on sovereign issuers such as Ecuador.

The ability of holders to transfer New Securities in the United States and certain other jurisdictions will be limited.

The New Securities have not been and will not be registered under the Securities Act and, therefore, may not be offered or sold in the United States except pursuant to an exemption from the registration requirements of the Securities Act and applicable U.S. state securities laws. Offers and sales of the New Securities may also be subject to transfer restrictions in other jurisdictions. Investors should consult their financial or legal advisors for advice concerning applicable transfer restrictions with respect to the New Securities.

Sovereign credit ratings may not reflect all risks of investment in the New Securities.

Sovereign credit ratings are an assessment by rating agencies of Ecuador's ability to pay its debts when due. Consequently, real or anticipated changes in Ecuador's sovereign credit ratings will generally affect the market value of the New Securities. These credit ratings may not reflect the potential impact of risks relating to structure or marketing of the New Securities. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

Recent political and social unrest in Latin America may affect the value and the trading market of the New Securities.

Certain Latin American economies have historically had periods and cycles of political instability and social unrest. During October and November 2019, Bolivia, Chile and Ecuador experienced protests, violence and social upheaval. Such instability and social unrest may result from numerous factors such as continued high level of income inequality, high unemployment and a generalized lack of confidence in political and judicial institutions. These structural factors are complex and have proven to be difficult to overcome. Accordingly, there can be no

assurance that such instability and social unrest will not continue in the future and even if the current cycle subsides, that the cycles of instability and social unrest will not recur in the future. Such continued unrest or recurrence in the future could have a material adverse effect on the trading market of the New Securities and the value of the New Securities.

Ecuador may issue additional New Securities that are considered as "contingent liabilities" under Ecuadorian law.

Ecuador has previously entered into repurchase transactions and a bond derivative transaction, in connection with which it issued notes that were considered contingent liabilities under Ecuadorian law. In each case, such notes were fully fungible with the relevant series of outstanding notes of Ecuador. For more information, see "*Appendix A—Public Debt—GSI Repo Transaction*", "*Public Debt—CS Repo Transaction*" and "*Public Debt—GSI Loan Facility.*" The New Securities do not contain any limitation on the ability of Ecuador to issue additional debt. Accordingly, Ecuador may issue additional notes that are considered as "contingent liabilities" for the purpose of selling such additional notes under new similar transactions. If Ecuador were to issue such additional notes for any such purpose, then the outstanding principal amount of any relevant series of outstanding New Securities of Ecuador could increase. In addition, the holders of any relevant series of outstanding New Securities could therefore find that a significant number of the outstanding New Securities for that series are owned by the purchaser of such additional notes under the relevant transaction.

The ratings of the New Securities may be lowered or withdrawn for any reason.

The credit ratings of the New Securities may not reflect the potential impact of all risks relating to the value of the New Securities. In addition, the credit ratings of the New Securities may change after issuance. Such ratings are limited in scope and do not address all material risks relating to an investment in the New Securities, but rather reflect only the views of the rating agencies at the time the ratings are issued. Real or anticipated changes in the Issuer's credit ratings or the credit ratings of the New Securities will generally affect the market value of the New Securities. Thus, the price of the New Securities in the secondary market that may develop may be considerably less than the price paid for by investors in the New Securities.

Risk Factors Relating to Ecuador

Public health crises and pandemics/epidemics, such as the recent outbreak of the COVID-19 virus, may materially adversely affect the Republic's economy.

In December 2019, the emergence of a novel strain of the coronavirus ("COVID-19") was reported in Wuhan, Hubei Province, China and subsequently spread throughout the world, including the Republic. On January 30, 2020, the World Health Organization ("WHO") declared COVID-19 a public health emergency of international concern and subsequently declared the outbreak a pandemic on March 11, 2020.

The continued spread has led to a public health crisis and has negatively affected the global capital markets, adversely impacting access to capital and increasing economic uncertainty. The severity and duration of COVID-19's impact on the global economy, as well as on the Republic's economy, is difficult to predict and cannot be determined.

The COVID-19 pandemic has had a severe impact on the Republic's economy, and on the health and welfare of the people of Ecuador. The first confirmed case of the virus in Ecuador was registered on February 29, 2020. Since then, Ecuador has been one of the hardest hit countries in the world in proportion to its total population, estimated at 17.3 million, with 56,432 confirmed cases and 4,527 deaths from the virus as of June 30, 2020. In addition to the health crisis, the pandemic has been an unprecedented external shock affecting severely the Republic's economy.

On March 12, 2020, President Lenín Moreno declared a national state of emergency (the "State of Emergency"), followed by a nationwide lockdown order, excluding essential services and activities, on March 15, 2020, the closure of Ecuador's borders on March 17, 2020, and the declaration of a national curfew on March 21,

2020. On April 30, 2020, the Ecuadorian government (the "Government") announced that despite these measures, the Republic's healthcare system was under severe pressure, lacking essential medical resources including medical equipment and supplies, testing kits, protective garments, and additional medical staff. On May 5, 2020, President Moreno ordered the extension of the State of Emergency for 30 days. On June 15, 2020, President Moreno ordered a second extension of the state of emergency for an additional 60 days. Further, because the Ecuadorian economy has a significant informal sector, the measures adopted by the Government to prevent the spread of COVID-19 have significantly impeded activity in this sector. As a result, the percentage of the population falling into poverty is increasing as of the date of this Invitation Memorandum and this percentage is expected to continue increasing during the following months, see *"Appendix A—The Ecuadorian Economy—Employment and Wages.*"

Additionally, measures taken to combat the spread COVID-19 such as stay-at-home orders are adversely affecting various sectors in the economy. Primary and secondary sectors in the Republic's economy have been affected, including (i) a decrease in the demand for oil, (ii) a virtual halt in tourism, (iii) a decrease in transportation and travel and (iv) delays in shipping of exports of perishable goods such as flowers. Reduced activity in these sectors has resulted in approximately 115,000 jobs lost in the private sector and 3,000 in the public sector as of May 2020, according to the Minister of Labor. With much of the economy in quarantine and under a lockdown for a significant period, the overall impact has resulted in urgent and sizable balance of payment needs. As a result, the Republic has implemented and continues to implement as of the date of this Invitation Memorandum many economic measures and has requested financial support for an amount of U.S.$2,909 million from multilateral organizations such as the IMF, the World Bank, the IDB and the CAF. See "*The Republic of Ecuador—Measures by President Moreno—The 2020 Global Crisis.*" In this context, as of the date of this Invitation Memorandum, the Republic has received a total of U.S.$1,832 million in external financing to help combat the effects of the crisis, see "*Appendix A—Public Debt*." As of April 2020, the Government announced it had managed to cut its expenses by U.S.$1,400 million and on May 19, 2020, it announced its plans to further cut public expenses by U.S.$4,000 million.

The COVID-19 pandemic has caused volatility in the international capital markets and has resulted in decreased global growth estimates for the year 2020. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of COVID-19 on the Ecuadorian economy. The magnitude and duration of the pandemic and its impact on the Republic's economic, social and public health situation is uncertain as the pandemic continues to evolve globally. If the spread continues on its current trajectory, such impact could grow and the Republic's economic, political and social conditions could be materially adversely affected.

To the extent the COVID-19 pandemic adversely affects the Republic's economic, political and social situation, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

The price of crude oil and the international supply and demand for crude oil have historically been volatile and are affected by many factors.

The price and international demand for crude oil are affected by many factors, including*:*

- global economic and political conditions as well as economic and political developments in oil producing nations;
- market expectations regarding future supply of crude oil and petroleum derivatives;
- the impact of climate change, and more generally global weather and environmental conditions, on the demand for, and the price of, hydrocarbons;
- the impact of international and national environmental regulations designed to reduce carbon emissions;
- the development of new crude oil exploration, production and transportation methods or other innovations in existing methods, including hydraulic fracturing;

- prices and development of alternative energies, including renewable energy;
- fluctuations in the value of the U.S. Dollar, the currency used to price oil globally;
- the decisions of OPEC, its constitutive members and other crude oil producing nations; and
- price wars between large oil producing nations, such as the one seen in 2020 between Russia and Saudi Arabia;

There can be no assurance that these factors, whether individually or in the aggregate, will not result in a prolonged or sudden decline in oil prices. Therefore, there can be no assurance that the Republic's economy will not be materially adversely affected by price declines in the crude oil market.

Ecuador has defaulted on its sovereign debt obligations in the past, in particular its obligations under the 2012 and 2030 Notes.

In 2008, Ecuador defaulted on its interest payments for the 2012 and 2030 Notes (as defined in "*Public Debt—Debt Obligations*" herein) in the aggregate amount of approximately U.S.$157 million and principal payments of approximately U.S.$3,200 million. The 2012 and 2030 Notes were originally issued in exchange for prior debt offerings of the Republic in order to extend the maturity dates of those prior obligations. These defaults followed the publication of a report in 2008 by the Commission of Integral Audit of Public Credit ("CAIC"), a committee composed of representatives from both the Government and private sector organizations and members of civil society. CAIC reviewed Ecuador's debt obligations from 1976 to 2006 and in its report made a number of findings regarding the legitimacy of Ecuador's debt obligations (including the 2012 and 2030 Notes), in particular relating to concerns involving the public assumption of private debt, appropriate authorizations, sovereign immunity, and the relevant economic terms of the debt obligations incurred. After the default, which occurred during the first term of former President Correa's administration, Ecuador offered to repurchase the 2012 and 2030 Notes at a discount to their par value. Holders responded to this offer by tendering substantially all of the 2012 and 2030 Notes. Although some holders continue to hold the defaulted 2012 and 2030 Notes, Ecuador has successfully repurchased additional 2012 and 2030 Notes from remaining holders from 2009 onwards. For more information, see "*Appendix A—Public Debt—Debt Obligations—2012 and 2030 Notes and tender offer*." To date, no judgments have been issued against the Republic with respect to the 2012 and 2030 Notes and none are pending. Proceedings have been issued against the Republic in two cases. See "*Risk Factors—Risks Factors Relating to Ecuador—Ecuador is involved in a number of legal proceedings and disputes that could result in losses to Ecuador as well as a decrease in foreign investment*." There is a risk that other holders, other than the holders described in "*Appendix A—Public Debt—Debt Obligations—2012 and 2030 Notes and tender offer*," of these defaulted New Securities may institute proceedings against the Republic and may seek to enforce any judgments obtained by seeking to attach assets of the Republic. Any action by the holders of the 2012 and 2030 Notes, or any further defaults by Ecuador on its sovereign debt obligations, could materially adversely affect the market value of the New Securities and the ability of the Republic to make principal and interest payments free of the risk of attachment. Any action by the holders of the 2012 and 2030 Notes making similar *pari passu* arguments as the holders in NML Capital, Ltd. v. Republic of Argentina or any further defaults by Ecuador of its sovereign debt obligations, could materially adversely affect the market value of the New Securities and the ability of the Republic to make principal and interest payments free of the risk of attachment.

The Republic may incur additional debt beyond what investors may have anticipated, which may results in the Republic not being able to comply with its 40% limit under Ecuadorian law in calculating the public debt to GDP ratio, which could materially adversely affect the interests of the holders of the New Securities.

The Republic has ordinarily been subject to a limitation on borrowing due to the Public Planning and Financing Code enacted in October 2010, which limits total public debt to 40% of GDP unless, in the case of public investment programs and projects of national interest, more than 50% of the National Assembly approves an exception to this limit on a project by project basis. The Republic has surpassed this limit in the recent years and is taking steps to meet the limit in the upcoming years.

On October 25, 2016, pursuant to Article 147, Clause 13 of the 2008 Constitution, former President Correa exercised his presidential authority to issue implementing regulations and signed Decree 1218, which modified Article 135 of the Rules to the Public Planning and Finance Code. Decree 1218 changed to a consolidated basis the methodology that the Ministry of Economy and Finance used to calculate the total public debt to GDP ratio for the purpose of establishing whether the total public debt ceiling of 40% established in Article 124 of the Public Planning and Finance Code had been exceeded. Because the consolidation methodology did not take into account intra-governmental debt in the calculation of public debt to GDP ratio, Decree 1218 enabled the Republic to incur more public debt than investors may have anticipated before the signing of Decree 1218, when the Republic calculated the total debt for the purpose of the 40% public debt to GDP ratio ceiling using the aggregation methodology. On October 15, 2018, President Moreno issued Decree 537 repealing Decree 1218 in its entirety, which became effective on October 30, 2018.

On November 19, 2018, the Ministry of Economy and Finance issued the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the definitions and methodology for calculating and divulging the country's public debt to GDP ratio (the "New Methodology"), which provides that the calculation of the public debt to GDP ratio is to be based on total public debt as published in the official aggregate financial statements and the latest nominal GDP as published by the Central Bank of Ecuador. On May 16, 2020, the National Assembly approved the Bill of the Organic Law for the Regulation of Public Finances and, after a Presidential partial veto, it became effective on July 15, 2020 (the "Organic Law for the Regulation of Public Finances"). This law sets out a timetable for the gradual decrease of the public debt by imposing transitional debt to GDP ratio ceilings starting at 57% by 2025 and reducing it to 45% by 2030 and to 40% by 2032, after which the public debt to GDP will be required by law to be kept at or below the legal limit of 40%.

While the waivers for the debt ceiling may reduce the near-term likelihood that the Republic will need to seek an exemption from the National Assembly in order to incur more debt, the interests of the holders of the New Securities could be materially affected to the extent that the waiver results in the incurrence of additional public debt. Furthermore, the Republic may not achieve its objectives in reducing its total public debt to GDP ratio in the upcoming years, which may materially adversely affect the interests of the holders of the New Securities.

The Office of the Comptroller General has issued a report with conclusions from its audit to the Republic's internal and external debt.

In July 2017, the Office of the Comptroller General announced its intention to conduct a special audit on the legality, sources and uses of all the internal and external debt of the Republic incurred between January 2012 and May 2017, as authorized by Ecuadorian law to examine acts of public entities. The Special Audit examined the sources and uses of various financings, and whether those financings were completed in accordance with the relevant applicable laws, regulations and policies, as more fully described in "*Public Debt—Review and Audit by the Office of the Comptroller General*."

The CGR Audit Report set forth some conclusions and recommendations, among which it concluded that certain rules that defined the methodology to calculate public debt were replaced with laws and regulations that allowed for discretion in the application and use of certain concepts related to public debt and, specifically, that the amounts of advance payments pursuant to certain commercial agreements providing for the advance payment of a portion of the purchase price of future oil deliveries should have been categorized as public debt and included in the calculation of the public debt to GDP ratio. The CGR Audit Report also concluded that Decree 1218 established a methodology for the calculation of public debt in relation to GDP (based on the total consolidated public debt methodology set out in the Manual of Public Finance Statistics of the IMF) which was not consistent with Article 123 of the Public Planning and Finance Code and deviated from the practice of using the aggregation of public debt methodology for the purpose of establishing whether the public debt to GDP ceiling of 40% had been exceeded. Consequently, Decree 1218 allowed the Government to enter into certain debt transactions without obtaining the prior approval of the National Assembly despite the fact that, according to the Office of the Comptroller General, the total public debt to GDP ratio would have exceeded the 40% limit established in Article 124 of the Public Planning and Finance Code had Decree 1218 not been in place.

Since President Moreno assumed the presidency of Ecuador on May 24, 2017, the Republic has implemented a series of measures seeking to provide more certainty regarding the public debt to GDP ratio and the

public debt accounting methodology, such as repealing the Decree 1218 in its entirety on October 30, 2018, see "*Appendix A—Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*," or the issuance by the Ministry of Economy and Finance on November 19, 2018 of the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the definitions and methodology for calculating and divulging the country's public debt to GDP ratio, and defining total public debt as the sum of the public debt incurred by the entities comprising the public sector and adds certain debt instruments to the calculation of public debt that were not previously included, including oil presales, see "*Appendix A—Public Debt—Review and Audit by the Office of the Comptroller General*."

While there is no indication that the conclusions of the CGR Audit Report have had an impact on the market value of the Republic's outstanding notes, or will have an impact on the market value of any New Securities, or the ability of the Republic to incur further debt obligations, and new regulations have been implemented providing certainty regarding the debt to GDP ratio and public debt accounting methodology, any challenge to the legality of the outstanding public debt of the Republic could limit the ability of the Republic to access the international markets in the future.

Any series of New Securities issued by the Republic (including the New Securities) and any other financing transactions could in the future be subject to the review of the Office of the Comptroller General within its powers granted by Ecuadorian law to examine acts of public entities.

Ecuador has been affected by political instability and corruption scandals and the subsequent political, economic and social effects could adversely affect the Republic.

Between 1997 and 2007, Ecuador has had eight presidents, and three of them were overthrown during periods of political unrest: Abdala Bucaram in 1997, Jamil Mahuad in 2000, and Lucio Gutiérrez in 2005. Since 2007, Ecuador has experienced political stability starting with former President Correa's Alianza PAIS party having won five consecutive National Assembly elections, and former President Correa having won re-election in 2013.

On May 24, 2017, President Moreno assumed the presidency of Ecuador with Jorge Glas as vice president for a four-year term. On December 13, 2017, the former vice president Glas received a six-year prison sentence in connection with the unlawful association investigation related to Odebrecht. On January 6, 2018, the National Assembly elected the then Minister of Urban and Housing Development María Alejandra Vicuña Muñoz as the vice president of Ecuador until 2021. On December 4, 2018, the then vice president María Alejandra Vicuña Muñoz resigned her post amidst an undergoing corruption scandal that spurred a criminal investigation into her vice presidency. On December 11, 2018, the National Assembly appointed economist Otto Ramón Sonnenholzner Sper as the new vice president of Ecuador. On July 7, 2020, Otto Ramón Sonnenholzner Sper resigned his post as vice president of Ecuador and on July 10, 2020, the President sent a list of eligible candidates to the National Assembly for the appointment of a new vice president.

On October 3, 2019, various groups organized nationwide protests against Decree 883 issued by President Moreno on October 1, 2019, expanding the scope of the liberalization of prices for hydrocarbons by eliminating the subsidy on certain types of gasoline and diesel and thereby increasing the prices for these fuels. The protests lasted for almost two weeks leading to President Moreno temporarily relocating the government to Guayaquil. From October 7, 2019 through October 13, 2019, protesters against Decree 883 occupied certain fields and disrupted oil productions by blocking roads allowing for the transportation of crude oil, causing the Government to suspend oil production in 20 oil fields located in the provinces of Orellana, Sucumbíos and Napo, resulting in U.S.$136.86 million in losses. The Government reached an agreement with protest leaders and on October 14, 2019, and President Moreno issued Decree 894 terminating Decree 883, reversing the elimination of the subsidies and ordering the creation of a new policy on subsidies for hydrocarbons.

On December 20, 2019, the National Electoral Council approved its report containing the council's findings on the Bribe 2012-2016 investigation over alleged illicit campaign contributions made to the Alianza PAIS party from 2012 to 2017. On January 3, 2020, at a preliminary hearing, a judge at the National Court of Justice ordered former President Correa, former vice president Glas, and several former ministers and government officials to stand trial over their alleged involvement in the Bribe 2012-2016 case. On April 7, 2020 Ecuador's National

Court of Justice sentenced former President Correa in absentia to an eight year prison term. This sentence was appealed and is under review in Ecuador's National Court of Justice.

Over the last years, several measures have been implemented to combat corruption and strengthen the Republic's institutions, see "*Appendix A—The Ecuadorian Economy—Economic and Social Policy—Anti-Corruption Measures.*" However, further developments related to corruption scandals could have a significant effect on the Republic's political, economic and social stability. While the current administration has devoted resources and efforts to combat these political, social and other problems, no assurance can be given, that these problems and conditions will be successfully remedied in the near term or at all. A return to an unstable political environment could significantly affect Ecuador's economy and Ecuador's ability to perform its obligations under the New Securities.

Elections are scheduled in Ecuador for February 28, 2021 to elect the President and the National Assembly. As with any elections, there exists the risk that a change in administration may materially affect and disrupt the policy continuity of the current administration. An administration change can materially redirect national and macroeconomic policies which may affect the repayment of the New Securities, among other effects.

Certain economic risks are inherent in any investment in an emerging market country such as Ecuador.

Investing in an emerging market country such as Ecuador carries economic risks. These risks include many different factors that may affect Ecuador's economic results, including the following:

- interest rates in the United States and financial markets outside Ecuador;
- changes in economic or tax policies in Ecuador;
- the imposition of trade barriers by Ecuador's trade partners;
- general economic, political, and business conditions in Ecuador, Ecuador's major trading partners, and the global economy;
- the ability of Ecuador to effect key economic reforms, including its economic strategy to re-balance the economy by increasing the percentage of GDP represented by the non-petroleum economy. For more information, see "*Appendix A—The Ecuadorian Economy—Strategic Sectors of the Economy—Oil Sector*";
- political and social tensions in Ecuador;
- the prices of commodities, including oil and mining;
- the impact of policies, sanctions, hostilities or political unrest in other countries that may affect international trade, commodity prices and the global economy; and
- the decisions of international financial institutions regarding the terms of their financial assistance to Ecuador.

Any of these factors, as well as volatility in the markets for securities similar to the New Securities, may adversely affect the liquidity of, and trading markets for, the New Securities. See "*Forward-Looking Statements*" for further information on factors that may affect the New Securities.

Ecuador's economy remains vulnerable to external shocks, including the negative global economic consequences resulting from the current recession affecting the global economy as a result of the health and economic crises resulting from the COVID-19 pandemic and the sudden decreases in international oil prices during the first semester of 2020, and the negative economic consequences that can arise as a result of future significant economic difficulties of its major regional trading partners or by more general "contagion" effects, which could have

a material adverse effect on Ecuador's economic growth and its ability to service its public debt. In addition, political events such as a change in administration in the United States or changes in the policies of the European Union, other emerging market countries, or Ecuador's regional trading partners could impact Ecuador's economy.

Emerging-market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments. Generally, investment in emerging markets is only suitable for sophisticated investors who appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets.

The Republic also faces the potential of internal political change with the elections that are scheduled for February 28, 2021. These elections will be for the President and the National Assembly and a change in the current administration can signify a change in the national and macroeconomic policies pursued by the new government.

A significant decline in the economic growth of any of Ecuador's major trading partners could adversely affect Ecuador's economic growth. In addition, because international investors' reactions to the events occurring in one emerging market country sometimes appear to demonstrate a "contagion" effect, in which an entire region or class of investment is disfavored by international investors, Ecuador could be adversely affected by negative economic or financial developments in other emerging market countries or in Latin America generally. Furthermore, Ecuador's policies towards bilateral investment treaties could impact foreign direct investment into Ecuador and Ecuador's trading relationships.

There can be no assurance that any crises such as those described above or similar events will not negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Ecuador. In addition, there can be no assurance that these events will not adversely affect Ecuador's economy, its ability to raise capital in the external debt markets in the future or its ability to service its public debt.

A significant increase in interest rates in the international financial markets could have a material adverse effect on the economies of Ecuador's trading partners and adversely affect Ecuador's economic growth and Ecuador's ability to make payments on its outstanding public debt, including the New Securities.

If interest rates outside Ecuador increase significantly, Ecuador's trading partners, in particular, could find it more difficult and expensive to borrow capital and refinance their existing debt. These increased costs could in turn adversely affect economic growth in those countries. Decreased growth on the part of Ecuador's trading partners could have a material adverse effect on the markets for Ecuador's exports and, in turn, adversely affect Ecuador's economy. An increase in interest rates would also increase Ecuador's debt service requirements with respect to Ecuador's debt obligations that accrue interest at floating rates. As a result, Ecuador's ability to make payments on its outstanding public debt generally, including the New Securities, would be adversely affected.

A number of factors, including significant declines in oil prices, have impacted and may continue to impact on revenues and the performance of the economy of Ecuador.

The economy of Ecuador and the Republic's budget are highly dependent on petroleum revenues. As a result of the decline in the prices of oil, on March 10, 2020, President Moreno announced budget cuts amounting to approximately U.S.$1,400 million of which U.S.$800 million relate to goods and services and U.S.$600 million relate to capital goods. For the five months ended on May 31, 2020, oil revenues in the consolidated non-financial public sector amounted to U.S.$2,134 million, a 37% decrease compared to U.S.$3,392 million for the same period of 2019. For the five months ended on May 31, 2020, central Government oil revenues amounted to U.S.$2,051 million, a 10.2% decrease compared to U.S.$2,285 million for the same period in 2019. For more information, see "*Appendix A—The Republic of Ecuador—Measures by President Moreno—The 2020 Global Crisis*" and "*Appendix A—Public Sector Finances—Non-Financial Public Sector Revenues and Expenditures*." There can be no assurance that Government revenues from petroleum exports will not continue experiencing significant fluctuations as a result of changes in the international petroleum market. Concerns with respect to global recession and weakness of the world economy, particularly as a result of the COVID-19 crisis, terrorism, market volatility and certain geopolitical developments, political instability, may have a potentially adverse effect on the petroleum market as a whole, see

"*Risk Factors—Risk Factors Relating to Ecuador—The price of crude oil and the international supply and demand for crude oil have historically been volatile and are affected by many factors.*"

In addition, as of May 31, 2020, the three main destinations of Ecuador's petroleum exports were the United States (40.5%), Panamá (32.7%) and Chile (12.5%). Worsening economic conditions in any of these countries could have a significant impact on Ecuador's revenues from oil and overall economic activity.

Further, operating difficulties in certain oil fields, lower production budgets, and the outages and the overhaul of Ecuador's largest refinery, the Esmeraldas Refinery (see "*The Ecuadorian Economy—Strategic Sectors of the Economy—Oil Sector*"), have led to uneven crude oil and petroleum derivatives production over the last few years. While Ecuador expects to increase production through the development of new fields, future political opposition, the severe effects of the COVID-19 crisis, the decline in international oil prices in 2020, budget adjustments that affect investments in oil exploration, natural disasters such as earthquakes, or further outages could result in a decline of overall production. Accordingly, any sustained period of decline in capacity, if exacerbated by a decline in oil production, could adversely affect the Republic's fiscal accounts and International Reserves.

As a result of the crisis caused by the COVID-19 outbreak and the decline in international oil prices, Ecuador's public finances have come under critical strains due to lower tax collection and oil revenues and surging crisis-related healthcare and social assistance outlays. With much of the economy in quarantine and under a lockdown order for a significant period of time, the overall impact has resulted in urgent and sizable balance of payment needs, which could have adverse effect on the Government's revenues, affecting its ability to service its debt.

Ecuador's growth outlook is conditioned upon successful implementation of its austerity policies that aim to strengthen fiscal institutions and re-establish a competitive private-sector driven economy.

Ecuador is currently implementing policies to address the severe economic impact and on the health and welfare of the people of Ecuador as a consequence of the COVID-19 pandemic, see "*Appendix A—The Republic of Ecuador—Measures by President Moreno—The 2020 Global Crisis.*" These policies range from containment measure to limit the spread of the virus, fiscal policies to protect the real economy against the confluence of shocks, and monetary and financial policy measures to maintain macro-economic stability the successful implementation of which may not depend entirely on the Republic, see "*—The ability of Ecuador to counter external shocks through economic policy is limited"* and "*—Ecuador faces challenges in its ability to access external financing."* If the policies and measures necessary to allow the economic recovery of the Republic, as well as to continue addressing the country's policy and economic goals from before the crisis, such as strengthening fiscal institutions and the private sector, do not materialize at the required pace, this could result in slower rates of economic growth and fiscal adjustment than anticipated, and could have adverse effect on the Government's revenues, affecting its ability to service its debt.

Failure to reduce greenhouse gas (GHG) emissions could curtail the profitability of Ecuador's hydrocarbon and industrial sectors.

In the years ahead, hydrocarbon and industrial sectors will face increased international regulation relating to GHG emissions. Like any significant changes in the regulatory environment, GHG regulation could have the impact of curtailing profitability in the hydrocarbon and industrial sectors reducing Ecuador's income from oil and gas operations and in tax revenues. In the long term, Ecuador's oil and gas operations could become economically infeasible.

International agreements and regulatory measures that aim to limit or reduce GHG emissions are currently in various stages of implementation. For example, the Paris Agreement went into effect in November 2016, and a number of countries are studying and adopting policies to meet their Paris Agreement goals. Other jurisdictions are considering adopting or are in the process of implementing laws or regulations to directly regulate GHG emissions through similar or other mechanisms such as, for example, via a carbon tax (e.g. Singapore and Canada) or via a cap-and-trade program (e.g. Mexico and China). The landscape continues to be in a state of constant re-assessment and legal challenge with respect to these laws and regulations, making it difficult to predict with certainty if this will

have an adverse effect on, among other things, GDP growth, Government revenues, balance of payments and foreign trade.

Commodity prices are volatile, and a significant decline in commodity prices could adversely affect Ecuador's economy and its ability to perform its obligations under the New Securities.

In addition to petroleum prices, see "*Risk Factors—Risk Factors Relating to Ecuador—A number of factors have impacted on and may continue to impact on revenues and the performance of the economy*," Ecuador's economy is exposed to other commodity price volatility, especially with regard to bananas and shrimp, which made up approximately 21.4% and 21.1% of Ecuador's total exports for the five months ended May 31, 2020, respectively. A significant drop in the price of certain commodities, such as bananas or shrimp, would adversely affect Ecuador's economy and could affect Ecuador's ability to perform its obligations under the New Securities.

Ecuador is a sovereign state and has not waived its sovereign immunity to the fullest extent permitted under the United States Foreign Sovereign Immunities Act of 1976; accordingly, it may be difficult to obtain or enforce judgments against it.

Ecuador is a sovereign state. Consequently, it may be difficult for investors to obtain or realize judgments against Ecuador in the United States or elsewhere. For example, Argentina defaulted on part of its external debt beginning in 2002. Holders of those bonds issued by Argentina had difficulty in obtaining payment from the defaulted issuer, as described further in the risk factor entitled "*Certain federal court decisions in New York create uncertainty regarding the meaning of ranking provisions and could potentially reduce or hinder the ability of sovereign issuers to restructure their public sector debt*." In the event holders of the New Securities were to attempt to enforce a court judgment or arbitral award against Ecuador, they may experience similar difficulty.

Furthermore, the dispute resolution provisions of the New Securities require submission to arbitration at the London Court of International Arbitration while the contractual provisions of the New Securities are governed by New York law. In order to obtain an enforceable judgment any disputes will have to be submitted first to the decision of an arbitral panel prior to being subject to enforcement by an applicable court.

To the extent holders of New Securities were to bring suit in Ecuador or attempt to enforce a foreign judgment or arbitral award in Ecuador, under the laws of Ecuador certain property of Ecuador is exempt from attachment. In addition, pursuant to the terms of the New Securities and the Indenture, Ecuador has limited its sovereign immunity (other than with respect to the laws of Ecuador) with respect to actions brought against it under the New Securities or the Indenture. This limitation of immunity, however, may be more limited in scope than those under certain other sovereign issuances in which issuers may waive immunity to the full extent under the U.S. Foreign Sovereign Immunities Act of 1976. Given this limitation on the scope of immunity, as well as the limitations of the U.S. Foreign Sovereign Immunities Act of 1976 and the immunity granted to Ecuador under Ecuadorian law, or which may in the future be granted under Ecuadorian law, holders seeking to attach assets of Ecuador may not be able to do so within Ecuador and may face difficulties doing so outside of Ecuador.

Ecuador is involved in a number of legal proceedings and disputes that could result in losses to Ecuador as well as a decrease in foreign investment.

Ecuador is currently involved in several legal proceedings, mainly related to contracts in the oil and electricity sectors. For a description of these legal proceedings and other proceedings against Ecuador, see "*Appendix A—Legal Proceedings*." If the foreign companies were to succeed, the awards could adversely impact the finances of the Republic. The Republic can offer no assurances as to whether or not such proceedings will be resolved in its favor.

Payments to holders of the New Securities could be attached by creditors, including holders of other debt instruments of Ecuador, to satisfy awards against Ecuador. As a result, Ecuador may not be able to make payments to holders of the New Securities.

There is a risk that creditors could attach payments of interest and principal by Ecuador to holders of the New Securities outside of Ecuador because, until payments reach holders of the New Securities, they could possibly be deemed to be the assets of Ecuador. For more information on these pending awards, see "*Appendix A—Legal Proceedings*" and "*Risk Factors—Risk Factors Relating to Ecuador—Ecuador is involved in a number of legal proceedings and disputes that could result in losses to Ecuador as well as a decrease in foreign investment.*"

If creditors are successful in attaching payments to holders of the New Securities, Ecuador may not be able to make payments to holders of the New Securities. For further information about the attempts of creditors of Argentina to enforce payment obligations on defaulted sovereign debt, see "*Risk Factors—Risk Factors Relating to the New Securities—Certain federal court decisions in the United States create uncertainty regarding the meaning of ranking provisions and could potentially reduce or hinder the ability of sovereign issuers to restructure their public sector debt."*

Specifically, payments of principal and/or interest on the New Securities may be attached, enjoined or otherwise challenged by holders of other debt instruments of Ecuador, including outstanding holders of the 2012 and 2030 Notes. Some creditors have, in recent years, used litigation tactics against several sovereign debtors that have defaulted on their sovereign bonds including Peru, Nicaragua and Argentina, to attach or interrupt payments made by these sovereign debtors to, among others, holders of the relevant defaulted bonds who agreed to a debt restructuring and accepted new securities in an exchange offer. Ecuador may also become subject to suits to collect on defaulted indebtedness. Ecuador cannot guarantee that a creditor will not be able to interfere, through an attachment of assets, injunction, temporary restraining order or otherwise, with payments made under the New Securities. As of the date of this Invitation Memorandum, the Republic is aware of one claim that has been made by a holder of the 2030 New Securities. For more information, see "*Appendix A—Public Debt—Debt Obligations—2012 and 2030 Notes and tender offer.*"

The ability of Ecuador to counter external shocks through economic policy is limited.

Ecuador instituted the Dollarization Program in the year 2000, replacing the Ecuadorian sucre with the U.S. dollar. Due to the current market conditions, Ecuador may be at risk if it cannot export sufficient goods to receive additional U.S. dollars, as it has no ability to mint currency. In addition, due to the Dollarization Program, the ability of Ecuador and/or the Central Bank of Ecuador to adjust monetary policy and interest rates in order to influence macroeconomic trends in the economy is limited. The total income from its exports and remittances needs to outweigh the total cost of its imports. The disruptions currently experienced in the financial markets have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction in available financing. Furthermore, by law, Ecuador's oil revenues can only be used to finance infrastructure projects and its ability to use these revenues to address other sectors or fiscal policy in general is limited. Accordingly, Ecuador's ability to use the tools of monetary policy to correct external shocks to the economy may be limited.

Severe weather, natural disasters and adverse climate changes may materially adversely affect Ecuador's economy.

Due to Ecuador's geographic location, it is subject to the effects of severe weather, natural disasters and climate changes. For example, Ecuador is located in an active seismic area where the risk of an earthquake or tremors is high. On April 16, 2016, the Pedernales Earthquake, a 7.8 magnitude earthquake, struck the northern coast of Ecuador above the convergent boundary where the Nazca tectonic plate subducts beneath the South American tectonic plate. Ecuador is also subject to the effects of El Niño. When it occurs, the irregular El Niño climatic phenomenon has caused heavy rains, landslides, widespread flooding and hotter temperatures across Ecuador.

Any of the meteorological or seismic phenomena that can potentially occur in Ecuador can materially adversely affect core industries of the Republic, such as oil production or agricultural production, which in turn would have a negative effect on the financial conditions of the country.

Ecuador faces challenges in its ability to access external financing.

Due to the COVID-19 crisis and the decline in international oil prices, Ecuador launched the Consent Solicitations which deferred the payment of interest on most of its international bond issuances until mid-August 2020 and launched the Invitation where the New Securities are issued at a discount to the aggregate principal amount outstanding of the Eligible Bonds you tender and may have longer maturities than the Eligible Bonds. The difficulties with which Ecuador has had in servicing the Eligible Bonds and the discounts and extension of maturities which holders of the Eligible Bonds have been offered in the New Securities may result in less of a willingness of international capital market investors to purchase and hold Ecuadorian international bonds.

In addition, given the fluctuations in Ecuador's level of International Reserves in the last few years its ability to obtain diverse sources of international funding has become increasingly important. See "*Appendix A—Public Sector Finances—Overview—Fiscal Policy*." Since the U.S. dollar is legal tender of Ecuador, the level of International Reserves may not be an indicator of its ability to meet current account payments as would be the case in an economy where the dollar is not legal tender.

Finally, the history of defaults by Ecuador may also limit Ecuador's access to external financing. In 2008, the CAIC issued a report that made a number of findings regarding the legitimacy of Ecuador's debt obligations (including the 2012 and 2030 Notes), in particular relating to concerns involving the public assumption of private debt, appropriate authorizations, sovereign immunity, and the relevant economic terms of the debt obligations incurred. See also "*Risk Factors—Risk Factors Relating to Ecuador—Ecuador has defaulted on its sovereign debt obligations in the past, in particular its obligations under the 2012 and 2030 Notes*." Following the report in 2008, Ecuador defaulted on its payments for the 2012 and 2030 Notes in the aggregate amount, as of February 2009, of approximately U.S.$157 million in interest and U.S.$3,200 million in principal. Ecuador invited holders of the 2012 and 2030 Notes to participate in two tender offers in April 2009 and November 2009 which resulted in the tender of 93.22% of the 2012 and 2030 Notes. Although some holders continue to hold the defaulted 2012 and 2030 Notes, Ecuador has successfully repurchased additional 2012 and 2030 Notes from remaining holders from 2009 onwards. As of the date hereof, the total aggregate amount of outstanding principal on the 2012 and 2030 Notes is U.S.$52

million, which represents 1.6% of the original aggregate principal amount of the 2012 and 2030 Notes. For more information, see "*Appendix A—Public Debt—Debt Obligations—2012 and 2030 Notes and tender offer*." Given the history of defaults, including more recently, defaults with respect to the 2012 and 2030 Notes as a result of the CAIC determining that the notes were issued illegally, and the recent difficulties that Ecuador has had in meeting its debt service payment thereby requiring the launch of the Consent Solicitation and the invitation on terms not less favorable to international capital market investors, Ecuador may not be able access external financing on favorable terms and this limited access may continue for several years while at the same time its financing needs have not decreased. For further information regarding the external debt payment record of Ecuador and the history of defaults, see "*Appendix A—Public Debt—Debt Obligations*."

Ecuador is likely to depend on the IMF and other multilateral lending as its main source of foreign capital in the near- to medium-term; consequently, if Ecuador fails to reach a new arrangement under the IMF's Extended Fund Facility for Ecuador or fails to implement its policy plans as presented to the IMF or the IMF otherwise decreases its lending to Ecuador, Ecuador's limited access to foreign capital could be curtailed, which could have a material adverse effect on Ecuador's economic prospects.

On March 11, 2019, the executive board of the IMF approved a U.S.$4,200 million arrangement under the IMF's Extended Fund Facility for Ecuador ("EFF"), enabling the disbursement of U.S.$652 million on March 13, 2019, and the subsequent disbursement of U.S.$251 million on July 2, 2019. On December 11, 2019, the Republic requested to the IMF a waiver of nonobservance of the performance criteria on net international reserves given that the macroeconomic impact of the breach was minor, as well as certain modifications to program requirements, and the completion of the IMF's second and third review of the arrangement under the EFF and the disbursement of about U.S.$498.0 million for budget support. On December 19, 2019, the IMF's Executive Board approved the disbursement to the Republic of about U.S.$498.0 million.

On April 30, 2020, the Republic notified the IMF that the EFF approved on March 11, 2019 was cancelled with immediate effect requesting urgent financial assistance under the IMF's Rapid Financing Instrument ("RFI") with the aim of addressing urgent balance of payments and fiscal needs. On May 2, 2020, the IMF Executive Board approved Ecuador's request for emergency financial assistance under the RFI for approximately U.S.$643.1 million in order to support the country's balance of payments and its most affected sectors, including the healthcare system and social protection.

Currently, the IMF staff and the Republic are in talks about a successor Fund-supported arrangement building on the EFF, with the aim of bolstering the Republic's economic performance, strengthen the foundations of dollarization, and deliver broad based benefits for the population, with a special emphasis on the most vulnerable sectors.

The IMF and other international financial institutions such as the World Bank and the Inter-American Development Bank have continued to make loans to Ecuador. Consequently, until Ecuador regains normal access to the international private capital markets, official multilateral sources such as the IMF will likely remain Ecuador's chief source of foreign capital.

Failure by the Republic to successfully reach a successor Fund-supported arrangement with the IMF or to implement its policy plans and meet the performance criteria, targets and benchmarks contained in such arrangement, as presented to the IMF, could prevent future disbursements from the IMF, which could in turn negatively affect the Republic's ability to meet its other domestic and international debt obligations, including the New Securities. The Republic's ability to successfully negotiate a successor Fund-supported arrangement is subject to uncertainty and conditions beyond the Republic's control and the Republic may not be able to reach an agreement with the IMF regarding any arrangement. Failure to reach an agreement with the IMF could have a material adverse effect on the Ecuadorian economy, our ability to service our outstanding debt instruments, including the New Securities.

The consequences of the data breach of personal information, if any, are unknown at this time.

On September 11, 2019, an internet security firm issued a report that stated that it had uncovered a major data breach of personal information of Ecuador's population contained on an unsecured server maintained by a

marketing firm. According to the report, the breach may involve personal information with respect to the entire Ecuadorian population and information leaked included information contained in government registries and records, including identification numbers and records and home addresses. Although the Attorney General and other government officials have confirmed the breach and launched an investigation, the extent of the data breach and its effect on the Ecuadorian economy, if any, are not known at this time and is not possible to predict.

TERMS OF THE INVITATION

General

We are hereby soliciting the Consents of Eligible Holders of Eligible Bonds to the Proposed Modifications. In conjunction with the Consent Solicitation, we are inviting Eligible Holders to tender their Eligible Bonds for New Securities of the Republic on the terms and subject to the conditions described herein. By delivering their Consents, Eligible Holders also submit Tender Orders to exchange their Eligible Bonds. Prior to the Consent Deadline, Eligible Holders may not deliver their Consents without also tendering their Eligible Bonds, and may not tender their Eligible Bonds without delivering their Consents. After the Consent Deadline, Eligible Holders may submit Tender Orders (but not Consents) at or prior to the Expiration Date.

The Republic has reached an agreement in principle with the Ad Hoc Group, and such group has expressed to the Republic its support for the commercial terms of the restructuring of the Eligible Bonds as set forth in the Invitation.

The New Securities have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction. Unless they are registered, the New Securities may be offered only in transactions that are exempt from registration under the Securities Act or the securities law of any other jurisdiction. Accordingly, the Invitation is being directed only to: (A) a "qualified institutional buyer" as defined in Rule 144A under the Securities Act, (B) an "accredited investor" within the meaning of rule 501(a)(1), (2), (3) or (7) of regulation D under the Securities Act (an "institutional accredited investor"), or (C) (x) outside the United States in reliance with Regulation S, (y) if located within a member state of the EEA or in the UK, a "qualified investor" as defined in the Prospectus Regulation or a duly designated proxy thereof, and (z) if outside the EEA or the UK, is eligible to receive the Invitation under the laws of its jurisdiction. For further details about eligible offerees and resale restrictions, see "*Jurisdictional Restrictions*" and "*Transfer Restrictions*."

This invitation memorandum is being provided to Eligible Holders of the Eligible Bonds in connection with their consideration of the matters set forth herein. Each Holder delivering Consent and Tender Orders will represent and warrant, among others set forth under "*Representations and Acknowledgements of the Beneficial Owners of the Eligible Bonds*" herein, that it (i) has full power and authority to deliver such Consent and Tender Order, (ii) has not relied on the Trustee, the Luxembourg Listing Agent, the Dealer Manager, the Information, Tabulation and Exchange Agent or any of their respective affiliates in connection with its investigation of the accuracy of the information contained in this invitation memorandum, (iii) is not a Holder whose consents are required to be disregarded pursuant to the definition of Outstanding herein and (iv) acknowledges that the information contained in this invitation memorandum has not been independently verified by the Trustee, the Luxembourg Listing Agent, the Dealer Manager or the Information, Tabulation and Exchange Agent and has been provided by us and other sources that we deem reliable. Use of this invitation memorandum for any other purpose is not authorized.

Eligible Holders whose tendered Eligible Bonds are accepted pursuant to the Invitation will, to the fullest extent permitted by applicable law, renounce and waive significant rights and interests, including the right to bring claims in connection with their tendered Eligible Bonds. Such Eligible Holders will also be required to agree to terminate any legal proceedings against the Republic relating to their tendered Eligible Bonds, waive their right to enforce any payment order, judgment, arbitral award or other such order against the Republic obtained in any such proceedings, agree that the exchange shall be deemed to constitute full performance and satisfaction by the Republic of any payment order, judgment, arbitral award or other such order relating to the tendered Eligible Bonds, and waive all rights awarded and any assets attached for their benefit through any prejudgment attachment, attachment in aid of execution or any other measure encumbering property or any other rights of the Republic in connection with their tendered Eligible Bonds. See "*—Representations and Acknowledgements of the Beneficial Owners of the Eligible Bonds*" for the full acknowledgments, representations, warranties and undertakings that Eligible Holders will be deemed to make as a condition to their participation in the Invitation.

By delivering their Consent and Tender Orders, Eligible Holders whose Eligible Bonds are accepted by us agree to (A) waive any and all defaults and cross-defaults, as applicable, that may have occurred or will occur under the Eligible Bonds (prior to the effectiveness of the Proposed Modifications and consummation of the Invitation with respect to such Eligible Bonds) as the result of (i) any failure by the Republic to pay interest and any Additional Amount (as defined in the applicable Indenture) on each originally scheduled payment date set forth in the Eligible

Bonds occurring between March 27, 2020, and September 1, 2020 (the "**September 2020 Specified Date**"), (ii) a default under any series of Eligible Bonds for which the Required Consents are not obtained at or prior to the Consent Deadline, and (iii) the entering or issuance of judgments or arbitral awards relating to any series of Eligible Bonds for which the Required Consents are not obtained at or prior to the Consent Deadline, and (B) waive and release the Republic from any and all claims such Eligible Holders may have now or in the future in connection with or arising out of any such defaults and cross-defaults, as applicable, and acknowledge and agree that any such defaults and cross-defaults shall be deemed cured upon the effectiveness of the Proposed Modifications and consummation of the Invitation (such waiver, the "**September 2020 Specified Waiver**"). For the avoidance of doubt, the September 2020 Specified Waiver shall expire and be of no further force and effect if the Settlement Date shall not have occurred on or prior to September 1, 2020. No interest shall accrue on the amount of interest between the originally scheduled payment date set forth in the Eligible Bonds and the September 2020 Specified Date. Notwithstanding anything to the contrary herein, the effectiveness of the foregoing waiver (x) with respect to individual Eligible Holders, will not be subject to any conditions, and (y) with respect to a Series, will only be contingent upon receiving the Requisite Consents for such Series.

This invitation memorandum describes the possible effects of and procedures for delivering, revoking or withdrawing Consent and Tender Orders. Please read it carefully. See "*Tender Procedures*" for information on the procedures.

The Invitation is being made on the terms and subject to the conditions set out in this invitation memorandum.

Purpose of the Invitation

The overall purpose of the Invitation is to create the conditions of long-term sustainability of Ecuador's debt burden. For more information, see "*Appendix A—The Republic of Ecuador*".

Consideration to Be Received Pursuant to Tender Orders and Consent and Tender Orders

Subject to the other terms of the Invitation, Eligible Holders of Eligible Bonds whose Tender Orders or Consent and Tender Orders are accepted will receive on the Settlement Date their corresponding amount of New Securities pursuant to the Invitation to Exchange. Eligible Holders whose validly submitted Tender Orders are accepted by us will receive on the Settlement Date the following principal amounts of New Securities for each U.S.$1,000 principal amount of Eligible Bonds of the relevant Series:

Series	New 2030 Bond	New 2035 Bond	New 2040 Bond
2022 Bond	U.S.$300.00	U.S.$495.30	U.S.$116.00
2023 Bond	U.S.$229.00	U.S.$495.30	U.S.$187.00
2024 Bond	U.S.$300.00	U.S.$495.30	U.S.$116.00
2025 Bond	U.S.$189.00	U.S.$495.30	U.S.$227.00
2026 Bond	U.S.$189.00	U.S.$495.30	U.S.$227.00
9.625% 2027 Bond	U.S.$189.00	U.S.$495.30	U.S.$227.00
8.875% 2027 Bond	U.S.$189.00	U.S.$495.30	U.S.$227.00
2028 Bond	U.S.$189.00	U.S.$495.30	U.S.$227.00
2029 Bond	U.S.$189.00	U.S.$495.30	U.S.$227.00
2030 Bond	U.S.$189.00	U.S.$495.30	U.S.$227.00

Only Eligible Holders whose Consent and Tender Orders are validly submitted at or prior to the Consent Deadline, unless the condition to deliver Consent and Tender Orders at or prior to the Consent Deadline is waived by the Republic in its sole discretion, will be eligible to receive 86% of the accrued and unpaid interest on their Eligible Bonds up to, but excluding, the Settlement Date, which amount will be paid to Eligible Holders in the form of the New PDI 2030 Bond. Such Eligible Holders will be eligible to receive on the Settlement Date the following principal amount of New PDI 2030 Bonds for each U.S.$1,000 principal amount of Eligible Bonds of a particular Series accepted pursuant to the Invitation (assuming that the Settlement Date occurs on August 7, 2020):

Series	New PDI 2030 Bond
2022 Bond	U.S.$78.92

2023 Bond	U.S.$50.78
2024 Bond	U.S.$42.68
2025 Bond	U.S.$57.89
2026 Bond	U.S.$53.51
9.625% 2027 Bond	U.S.$55.90
8.875% 2027 Bond	U.S.$59.78
2028 Bond	U.S.$36.07
2029 Bond	U.S.$47.59
2030 Bond	U.S.$69.92

A portion of the accrued and unpaid interest on the Eligible Bonds which would have been included as part of the principal amount of the New PDI 2030 Bond, up to U.S.$1,000,000.00 (the "**PDI Closing Payment**"), will instead be allocated to pay certain closing costs and expenses of the Ad Hoc Group in connection with the Invitation. The Ad Hoc Group will notify the Republic of the final amount to be paid at least five business days prior to the Settlement Date.

For the avoidance of doubt, the PDI Closing Payment will not affect the principal amount of New PDI 2030 Bonds issued to Eligible Holders pursuant to the terms of the Invitation.

Eligible Holders whose Consent and Tender Order is delivered at or prior to the Consent Deadline and accepted pursuant to the Invitation will not receive any payments in respect of accrued and unpaid interest other than the New PDI 2030 Bond. Eligible Holders whose Tender Order is delivered after the Consent Deadline and accepted pursuant to the Invitation will not receive any payments or any New PDI 2030 Bonds in respect of accrued and unpaid interest.

Consents and Tender Orders may not be revoked or withdrawn at any time, except under certain limited circumstances where we make a change (adverse to the economic interests of Eligible Holders) to, or waive a material condition of, the Invitation, or otherwise are required to do so by law, in each case as determined by us in our sole discretion. Such revocation and withdrawal will be permitted for a period of time that we believe, in our sole discretion, adequate to give Eligible Holders an adequate amount of time to consider such changes and determine whether to deliver, revoke or withdraw their Consent and Tender Order. Eligible Holders may not validly revoke a Consent without also withdrawing their Tender Order submitted in connection with such Consent. Prior to the Consent Deadline, Eligible Holders may not validly withdraw a Tender Order without also revoking the Consent given in connection with such Tender Order.

Proposed Modifications

Eligible Holders who validly deliver their Consent, authorize us and the Trustee, and instruct the Trustee, upon the satisfaction of the effectiveness conditions described herein, to enter into the Supplemental Indentures by which all outstanding Eligible Bonds of such Eligible Holder's Series will be modified pursuant to the Proposed Modifications to be the Modified Eligible Bonds by replicating the economic terms as the New 2040 Bond, without changing the ISIN numbers of such Eligible Bonds and without re-issuing new Global Notes.

See "*The Proposed Modifications*" for a description of the proposed modifications to the Eligible Bonds and the applicable Indentures.

If we receive the Requisite Consents to the Proposed Modifications with respect to a Series, the other conditions to the effectiveness of the Proposed Modifications are satisfied or waived and the Proposed Modifications become effective with respect to such Series, then the Proposed Modifications will be conclusive and binding on all Holders of such Series, whether or not they have consented to the Proposed Modifications, including Ineligible Holders. In that event, only Eligible Holders that participated in the Invitation will receive the New Securities, and all remaining Eligible Bonds of such Series will be modified pursuant to the Proposed Modifications.

Eligible Holders of Eligible Bonds who did not participate in the Invitation will have their Eligible Bonds modified as set forth under "*The Proposed Modifications*" below if we receive the Requisite Consents to the Proposed Modifications with respect to that Series. In this event, the economic terms and other important provisions of your Modified Eligible Bonds will differ significantly from the economic terms and other important provisions of your Eligible Bonds prior to the effectiveness of the Proposed Modifications, you will not receive the New PDI 2030

Bond and you will no longer have the right to receive the accrued and unpaid interest up to, but excluding, the Settlement Date, on your Modified Eligible Bonds.

Subject to receiving the Requisite Consents, the Supplemental Indentures will become effective upon execution by us, and the Trustee, but each will provide that the Proposed Modifications will not become operative until (i) we have completed (and not terminated) the Consent Solicitation in accordance with the terms and conditions set forth in this invitation memorandum, and (ii) each Eligible Holder who has delivered its Consent and whose Consent has been accepted by us pursuant to the Consent Solicitation shall have received the New Securities (including the New PDI 2030 Bond) as set forth in this invitation memorandum.

Requisite Consents

With respect to the Aggregated Eligible Bonds

The Proposed Modifications will become effective with respect to Aggregated Eligible Bonds if valid Consents from Eligible Holders of (x) more than 50% of the aggregate principal amount at the time Outstanding of each Series of Aggregated Eligible Bonds (the "**Per Series Threshold**") and (y) not less than 66⅔% of the aggregate principal amount at the time Outstanding of all Series of Aggregated Eligible Bonds (the "**Aggregate Threshold**", together with the Per Series Threshold, the "**Aggregated Requisite Consents**"), in each case subject to re-designation in our sole discretion, have been validly delivered and accepted pursuant to the terms of the Consent Solicitation, and the other conditions described in this invitation memorandum have been either satisfied or waived by us (in our sole discretion, except for the Minimum Participation Condition, the IMF Condition, and the GLC Opinion Condition, which may not be waived by us).

With respect to the 2024 Bond

(i) the Proposed Modifications that relate to a non-reserved matter modification will become effective if valid Consents from Eligible Holders of not less than 66⅔% of the aggregate principal amount at the time Outstanding of the 2024 Bond have been validly delivered and accepted pursuant to the terms of the Consent Solicitation, and (ii) the Proposed Modifications that relate to a reserved matter modification will become effective if valid Consents from Eligible Holders of not less than 75% of the aggregate principal amount at the time Outstanding of the 2024 Bond have been validly delivered and accepted pursuant to the terms of the Consent Solicitation (in either case, the "2024 Bond Requisite Consents") and, in each case, the other conditions described in this invitation memorandum have been either satisfied or waived by us (in our sole discretion, except for the Minimum Participation Condition, the IMF Condition, and the GLC Opinion Condition, which may not be waived by us). For purposes of the Invitation, the Aggregated Requisite Consents and the 2024 Bond Requisite Consent, as they relate to the relevant Series of Eligible Bonds, shall be referred to as the "Requisite Consents".

Ecuador reserves the rights in its sole discretion to reject any and all Consent and Tender Orders with respect to any Series, including if the Per Series Threshold is not obtained with respect to any Series of Aggregated Eligible Bonds or the Aggregate Threshold is not obtained with respect to at least two of such Series or if the Minimum Participation Condition is not met. However if Ecuador accepts Consents and/or Tender Orders with respect to any Series of Eligible Bonds, it will accept all valid Consents and/or Tender Orders for all Series of Eligible Bonds, including all valid Tender Orders in respect of Series where the Requisite Consents are not obtained.

Re-designation

With respect to the Aggregated Eligible Bonds, we retain the right pursuant to the applicable Indenture to, in our sole discretion and subject to the Minimum Participation Condition, (a) re-designate at any time (including after the Consent Deadline) one or more Series of Aggregated Eligible Bonds that will be subject to the Proposed Modifications on an aggregated basis, and (b) consider the Proposed Modifications effective with respect to one or more Series of Aggregated Eligible Bonds if we receive Aggregated Requisite Consents with respect to such Series. Such re-designation would allow us to exclude one or more Series of Aggregated Eligible Bonds from the calculation of the Aggregated Requisite Consents on an aggregated basis for the Proposed Modifications affecting the Series that have not been excluded and calculate the requisite consents on a single Series basis for each Series that has been excluded. See "*Terms of the Invitation—Requisite Consents*" for more information.

With respect to the Aggregated Eligible Bonds, we also retain the right pursuant to the applicable Indenture to, in our sole discretion and subject to the Minimum Participation Condition, re-designate at any time (including after the Consent Deadline) one or more Series of the Aggregated Eligible Bonds as to which the Proposed Modifications are 'uniformly applicable' (as defined in the respective Indenture) and consider the Proposed Modifications effective with respect to such re-designated Series if we receive the Consent of not less than 75% of the aggregate principal amount of all such re-designated Series at the time Outstanding. We reserve the right to re-designate any Series after the Requisite Consents have been obtained and announced with respect to any other Series. In that event, the re-designation of a Series may affect the announcement made with respect to any other Series.

If we re-designate any Series of Aggregated Eligible Bonds affected by the Proposed Modifications, any excluded Series will not be considered for the purposes of the thresholds described above. If we re-designate a Series of Aggregated Eligible Bonds that will be aggregated for the Proposed Modifications by excluding one or more Series of the initially designated Series, it is a condition to the effectiveness of the Proposed Modifications with respect to an excluded Series that we receive and accept valid Consents from Eligible Holders of not less than 75% of the aggregate principal amount of that excluded Series.

As of the date of this invitation memorandum, the following aggregate principal amounts of the Eligible Bonds were Outstanding:

Series	ISIN	Principal Amount Outstanding
2022 Bond	XS1458516967; XS1458514673	U.S.$2,000,000,000.00
2023 Bond	XS1626768656; XS1626768730	U.S.$1,000,000,000.00
2024 Bond	XS1080331181; XS1080330704	U.S.$2,000,000,000.00
2025 Bond	XS2058848826; XS2058845210	U.S.$600,000,000.00
2026 Bond	XS1535072109; XS1535071986	U.S.$1,750,000,000.00
9.625% 2027 Bond	XS1626529157; XS1626530320	U.S.$1,000,000,000.00
8.875% 2027 Bond	XS1707041429; XS1707041262	U.S.$2,500,000,000.00
2028 Bond	XS1755432363; XS1755429732	U.S.$3,000,000,000.00
2029 Bond	XS1929377015; XS1929376710	U.S.$2,125,000,000.00
2030 Bond	XS2058866307; XS2058864948	U.S.$1,400,000,000.00

The term "**Outstanding**" for each Series has the meaning ascribed to it in the applicable Indenture.

Subject to the Minimum Participation Condition, the effectiveness of the Proposed Modifications with respect to a Series is not conditioned on the effectiveness of the Proposed Modifications with respect to any other Series.

Acceptance of Consent and Tender Orders

We reserve the right not to accept Consent and Tender Orders of Eligible Bonds of any Series in our sole discretion, if and to the extent permitted by applicable laws, rules and regulations, in each jurisdiction where we are making the Invitation; *provided that* if the conditions to the Invitation are satisfied, other than obtaining the Required Consents for one or more Series, we may at our sole discretion accept all valid Tender Orders of Eligible Bonds of all such Series. Our acceptance of Consent and Tender Orders will be subject to the satisfaction or waiver of the conditions described under "*—Conditions to the Invitation and the Proposed Modifications*." If Ecuador accepts Consents and/or Tender Orders with respect to any Series, it will accept all valid Consents and/or Tender Orders for all Series, including all valid Tender Orders in respect of Series where the Requisite Consents are not obtained.

If we terminate the Invitation without accepting any Consent and Tender Orders, all "blocking" instructions will be automatically revoked, and if we do not accept your Consent and Tender Order, your "blocking" instructions will be automatically revoked, as provided below under "*Tender Procedures*."

Conditions to the Invitation and the Proposed Modifications

The Invitation is contingent upon the satisfaction of the following conditions, which shall be satisfied at or prior to the Expiration Date:

1. the Minimum Participation Condition.

2. the Requisite Consents are obtained and the Proposed Modifications may be adopted with respect to all Series (which condition we may waive, in our sole discretion, with respect to one or more Series),

3. receipt of the Requisite Consents for the Proposed Modifications, as applicable, after giving effect to any exclusion by us of any Series;

4. the execution of the applicable Supplemental Indentures giving effect to the Proposed Modifications;

5. the absence of any law or regulation that would, and the absence of any injunction, action or other proceeding (whether pending or threatened) that could, make unlawful or invalid or enjoin the implementation of the Proposed Modifications or the Invitation or question the legality or validity thereof; and

6. there not having been any change or development that, in the Republic's sole discretion, materially reduces the anticipated benefits to the Republic of the Invitation or that could be likely to prejudice materially the success of the Invitation or that has had, or could reasonably be expected to have, a material adverse effect on the Republic or its economy.

The Invitation is also contingent upon the satisfaction of the IMF Condition, which shall be satisfied on or prior to the Settlement Date, and the GLC Opinion Condition, which shall be satisfied on the Settlement Date

We reserve the right to waive or modify any term of, or terminate, the Invitation at any time and in our sole discretion; *provided that* we cannot modify or waive the Minimum Participation Condition, the IMF Condition or the GLC Opinion Condition.

Denominations; Rounding; Calculations

Eligible Bonds may be tendered only in the authorized denominations set forth in the terms of such Eligible Bonds and in the "*Summary of the Invitation*." To the extent any Eligible Holder tenders less than all Eligible Bonds of a Series owned by such Eligible Holder, the principal amount not tendered by such Eligible Holder must also be an authorized denomination.

The New Securities will be issued in minimum denomination of U.S.$1.00 and multiples of U.S.$1.00 in excess thereof.

To determine the principal amount of New Securities that you will receive, the principal amount of Eligible Bonds that you tendered and were accepted will be multiplied by the appropriate ratios, and each resultant amount will be rounded down to the nearest multiple of U.S.$1.00. This rounded amount will be the principal of New Securities received, and no additional cash will be paid in lieu of any principal amount of New Securities not received as a result of rounding down.

Consent Deadline; Expiration Date; Extension; Termination; and Amendment

For the purposes of the Invitation, the term "**Consent Deadline**," the deadline for Eligible Holders to deliver Consents and the related Tender Orders, unless we, in our sole discretion with respect to one or more Series, terminate the Invitation earlier or extend the Consent Deadline to a date at or prior to the Expiration Date, means 5:00 p.m. CET, on July 31, 2020. We retain the right to extend the Consent Deadline for any Series even if the Consent Deadline for any other Series has expired, *provided that* the Consent Deadline shall not extend beyond the Expiration Date. After the Consent Deadline, Eligible Holders may no longer deliver Consents.

For the purposes of the Invitation, the term "**Expiration Date**" means 5:00 p.m. CET, on July 31, 2020, subject to our right to extend such date and time in our absolute discretion, in which case the Expiration Date means the latest date and time to which the Invitation is extended. We reserve the right, subject to applicable law, to extend the Expiration Date.

After the Expiration Date, you may no longer deliver Consent and Tender Orders.

We reserve the right for any reason, in our sole discretion, to: (i) extend the Consent Deadline or the Expiration Date, (ii) terminate the Invitation or (iii) amend the Invitation at any time and from time to time by giving notice thereof to the Information, Tabulation and Exchange Agent. We retain the right to extend the Consent Deadline or Expiration Date for any Series even if the Consent Deadline or Expiration Date, as applicable, for any other Series has expired.

At any time before we announce the acceptance of any Consent and Tender Orders on the Results Announcement Date (in the manner specified above under "*—Acceptance of Consent and Tender Orders*"), we may, in our sole discretion and to the extent permitted by the applicable laws, rules and regulations in each jurisdiction where we are making the Invitation:

- terminate the Invitation (including with respect to Consent and Tender Orders submitted prior to the time of the termination),
- extend the Consent Solicitation past the originally scheduled Consent Deadline with respect to one or more Series, or extend the Invitation to Exchange past the originally scheduled Expiration Date with respect to one or more Series,
- withdraw the Invitation from any one or more jurisdictions, or
- amend the Invitation, including amendments applicable in any one or more jurisdictions, by giving written notice thereof to the Information, Tabulation and Exchange Agent.

Any extension, amendment or termination of the Invitation by us will be followed as promptly as practicable by press release or other public announcement of such extension, amendment or termination. Failure of any Eligible Holder or beneficial owner of the Eligible Bonds to be so notified will not affect the extension, termination or amendment of the Invitation, as applicable.

If we make a change (adverse to the economic interests of the Eligible Holders) to the terms of, or waive a material condition of, this Invitation in a manner that is in either case adverse to the interests of the Holders, we will (i) notify the Information, Tabulation and Exchange Agent and the Trustee of that change or waiver of a material condition and any related extension of the Expiration Date by written notice, (ii) make a public announcement thereof as described below, and (iii) extend the Expiration Date to the extent, if any, we deem appropriate in our sole discretion or otherwise to the extent required by applicable law. We may also extend the Expiration Date if we deem it appropriate in our sole discretion. If we extend, terminate or amend this Invitation, we expect to announce publicly such extension, termination or amendment, including, if applicable, the new Expiration Date. We undertake no obligation to give any notice other than by press release. Failure of any Holder to be so notified will not affect the extension, termination or amendment of the Invitation.

If we elect to terminate the Invitation, any Consent and Tender Orders previously delivered will be of no further force or effect, except as otherwise indicated in this invitation memorandum including with respect to the September 2020 Specified Waiver. Failure of any Holder or beneficial owner of the Eligible Bonds to be so notified will not affect the termination or amendment of the Invitation.

Results Announcement

On August 2, 2020, or as soon as practicable thereafter, we will publicly announce:

(i) whether the Republic has re-designated any Series subject to the Proposed Modifications on an aggregate basis, specifying which Series have been excluded for the purpose of determining

whether the Requisite Consents for the Proposed Modifications to any Series have been obtained on an aggregated or single series basis, as described above, or as to which those Proposed Modifications that are uniformly applicable to them will become effective,

(ii) the aggregate principal amount of Eligible Bonds of each Series with respect to which the Republic has accepted any Consent and Tender Orders,

(iii) the results of the Invitation, and

(iv) the Series as to which the conditions to the effectiveness of the Proposed Modifications, after giving effect to the exclusion of any Series and the re-designation described above, have been met.

Settlement

The Settlement Date for the Invitation to Exchange is expected to be August 7, 2020, or as soon as practicable thereafter but no later than the Settlement Deadline.

We will terminate the Invitation unless settlement of the Invitation occurs on or prior to the Settlement Deadline; provided that, the Republic shall have the right to extend the Settlement Deadline to September 1, 2020, with the consent of the Eligible Holders representing a majority of the aggregate principal amount Outstanding of all Series of Eligible Bonds, as reasonably determined by us in our sole discretion.

Eligible Holders who wish to have their Consent and Tender Orders certified for the purposes of the extension of the Settlement Deadline pursuant to the Invitation should quote a Unique Identifier Code in their Electronic Tender Instruction in Euroclear or Clearstream, which can be obtained by contacting Citigroup at ny.liabilitymanagement@citi.com. A Unique Identifier Code is not required for an Eligible Holder to participate in the Invitation, but if an Eligible Holder wishes to have their Consent and Tender Orders used to consent to an extension of the Settlement Deadline to September 1, 2020, such Eligible Holder should obtain a Unique Identifier Code and quote their Unique Identifier Code in their Electronic Tender Instruction in Euroclear or Clearstream. The Unique Identifier Code should be quoted in the required field as directed by their respective custodians and by Euroclear or Clearstream, as applicable, within the corresponding Electronic Tender Instruction.

The Republic shall review such Electronic Tender Instructions in order to certify consents of the Eligible Holders representing a majority of the aggregate principal amount Outstanding of all Series of Eligible Bonds. However, no assurances can be given that the Republic will exercise the right to extend the Settlement Deadline.

Settlement will be made on the date when we notify the Information, Tabulation and Exchange Agent that all conditions to settlement have been satisfied or waived and that we are prepared to issue the New Securities. If we accept your Consents and Tender Orders you will receive on the Settlement Date the New Securities pursuant to the Invitation by credit to the same account at the principal clearing system from which your Eligible Bonds were tendered.

If you did not validly deliver a Consent and Tender Order or if you are an Ineligible Holder and your Eligible Bonds are being amended pursuant to the Proposed Modifications, your Eligible Bonds will be modified on the Settlement Date to reflect the Proposed Modifications.

All Eligible Bonds exchanged pursuant to the Invitation to Exchange will be cancelled. If any court or arbitral order or administrative or legal proceeding prohibits or delays the delivery of the New Securities, we will postpone the Settlement Date until such court or arbitral order or administrative or legal proceeding no longer prohibits the delivery of the New Securities. If in our judgment, delivery cannot be effected without unreasonable delay, we will cancel the Invitation.

No Recommendation

None of us, the Dealer Manager, the Trustee, the Luxembourg Listing Agent, the Information, Tabulation and Exchange Agent nor any of their respective directors, employees, affiliates, agents or representatives makes any recommendation as to whether Eligible Holders should deliver Consent and Tender Orders, and no one has been

authorized by any of them to make such a recommendation. Each Eligible Holder must make its own decision as to whether to deliver a Consent and Tender Order.

Repurchases of Eligible Bonds That Remain Outstanding; Subsequent Invitation to Exchange

The Republic reserves the right, in its absolute discretion, to purchase, amend, exchange, offer to purchase, amend or exchange, or enter into a settlement in respect of any Eligible Bonds that are not modified or exchanged pursuant to the Invitation (in accordance with their respective terms) and, to the extent permitted by applicable law, purchase, amend or offer to purchase Eligible Bonds in the open market, in privately negotiated transactions or otherwise. Any such purchase, amendment, exchange, offer to purchase, amend or exchange or settlement will be made in accordance with applicable law. The terms of any such purchases, amendments, exchanges, offers or settlements could differ from the terms of the Invitation.

Market for the Eligible Bonds and the New Securities

All Eligible Bonds that are modified pursuant to the Consent Solicitation will be modified to be the Modified Eligible Bonds. This is likely to affect adversely the liquidity and market value of any Modified Eligible Bonds not exchanged pursuant to the Invitation to Exchange. These Modified Eligible Bonds not exchanged pursuant to the Invitation to Exchange will remain outstanding.

Each series of New Securities is a new issue of securities with no established trading market. We have been advised by the Dealer Manager that it may make a market in the New Securities but they are not obligated to do so and may discontinue market making at any time without notice. The Republic expects to list each series of New Securities on the Luxembourg Stock Exchange and to have each series of New Securities admitted for trading on the Euro MTF Market. No assurance can be given as to the liquidity of the trading market for any series of the New Securities. The price at which each series of the New Securities will trade in the secondary market is uncertain.

Information, Tabulation and Exchange Agent

Global Bondholder Services Corporation has been retained as Information, Tabulation and Exchange Agent in connection with this Invitation. In its capacity as Information, Tabulation and Exchange Agent, Global Bondholder Services Corporation will (i) distribute this invitation memorandum and assist with the delivery of Tender Orders, (ii) calculate the U.S. dollars amount equivalent to the Outstanding principal amount of Eligible Bonds pursuant to the methodology described in this invitation memorandum and (iii) be responsible for collecting Consent and Tender Orders and certifying to the Trustee the aggregate principal amount of the Eligible Bonds covered by Consent and Tender Orders received. The Information, Tabulation and Exchange Agent will receive customary fees for such services and reimbursement of its reasonable out-of-pocket expenses.

Any questions or requests for assistance concerning this Invitation should be directed to the Information, Tabulation and Exchange Agent and the Dealer Manager at their address and telephone number set forth on the back cover of this invitation memorandum. If you have any questions about how to deliver Consent and Tender Orders pursuant to this invitation memorandum, you should contact the Information, Tabulation and Exchange Agent. Requests for additional copies of this invitation memorandum or any other related documents may be directed to the Information, Tabulation and Exchange Agent. All documents relating to the offer, together with any updates, will be available via the Invitation Website: https://www.gbsc-usa.com/ecuador/.

PROPOSED MODIFICATIONS

General

In connection with the Invitation, we are soliciting Consents from Eligible Holders of Eligible Bonds to approve the Proposed Modifications, subject to the terms and conditions set forth in this invitation memorandum. Supplemental Indentures will be entered into with respect to the relevant series of Eligible Bonds to reflect the Proposed Modifications. Subject to receiving the Requisite Consents, the Supplemental Indentures will become effective upon execution by us, and the Trustee, but each will provide that the Proposed Modifications will not become operative until (i) we have completed (and not terminated) the Consent Solicitation in accordance with the terms and conditions set forth in this invitation memorandum, and (ii) each Eligible Holder who has delivered its Consent and whose Consent has been accepted by us pursuant to the Consent Solicitation shall have received the New Securities (including the New PDI 2030 Bond) as set forth in this invitation memorandum.

By delivering their Consents, Eligible Holders will also submit Tender Orders to exchange their Eligible Bonds for the New Securities of the Republic on the terms and subject to conditions described in this invitation memorandum. Eligible Holders may not deliver their Consents without also tendering their Eligible Bonds, and may not tender their Eligible Bonds without delivering their Consents.

Waiver of Past and Future Defaults

By delivering their Consent and Tender Orders, Eligible Holders whose Eligible Bonds are accepted by us agree to (A) waive any and all defaults and cross-defaults, as applicable, that may have occurred or will occur under the Eligible Bonds (prior to the effectiveness of the Proposed Modifications and consummation of the Invitation with respect to such Eligible Bonds) as the result of (i) any failure by the Republic to pay interest and any Additional Amount (as defined in the applicable Indenture) on each originally scheduled payment date set forth in the Eligible Bonds occurring between March 27, 2020, and the September 2020 Specified Date, (ii) a default under any series of Eligible Bonds for which the Required Consents are not obtained at or prior to the Consent Deadline, and (iii) the entering or issuance of judgments or arbitral awards relating to any series of Eligible Bonds for which the Required Consents are not obtained at or prior to the Consent Deadline, and (B) waive and release the Republic from any and all claims such Eligible Holders may have now or in the future in connection with or arising out of any such defaults and cross-defaults, as applicable, and acknowledge and agree that any such defaults and cross-defaults shall be deemed cured upon the effectiveness of the Proposed Modifications and consummation of the Invitation. No interest shall accrue on the amount of interest between the originally scheduled payment date set forth in the Eligible Bonds and the September 2020 Specified Date. Notwithstanding anything to the contrary herein, the effectiveness of the foregoing waiver (x) with respect to individual Eligible Holders, will not be subject to any conditions, and (y) with respect to a Series, will only be contingent upon receiving the Requisite Consents for such Series.

The Proposed Modifications

If adopted, the Proposed Modifications will amend the terms of the Indentures and the Eligible Bonds of the applicable Series to give effect to the modifications summarized below. This summary does not purport to be complete, and should be read in conjunction with the more detailed description of the Proposed Modifications appearing in "*Appendix B—Form of Supplemental Indenture for the Aggregated Eligible Bonds*" and "*Appendix C—Form of Supplemental Indenture for the 2024 Bond,*" and is qualified in its entirety by reference to the full and complete terms of each Supplemental Indenture.

Proposed Modifications Relating to Aggregated Eligible Bonds

If the Proposed Modifications become effective with respect to any Series of Aggregated Eligible Bonds, the following modifications will be made to the terms of such Eligible Bonds:

(i) Extend the maturity date to July 31, 2040.

(ii) Reduce the outstanding principal amount of the applicable Eligible Bond such that, for every U.S.$1,000 principal amount originally due, only U.S.$911.30 principal amount will be due, and

establish a new principal amortization schedule whereby principal amounts will be payable in ten nominally equal installments on January 31 and July 31 of each year, commencing on January 31, 2036. To reflect the fact that only U.S.$911.30 will be payable for each U.S.$1,000 principal amount originally due, a principal amortization factor of 0.91130 will be instituted with respect to such Eligible Bond.

(iii) Irrevocably waive any accrued and unpaid interest through and excluding the Settlement Date, and thereafter pay interest semi-annually (other than the first interest period) in arrears on January 31 and July 31 of each year, commencing on January 31, 2021, whereby interest shall accrue from and including the Settlement Date at the following annual interest rates:

- From and including the Settlement Date to but excluding July 31, 2021: 0.500%;
- From and including July 31, 2021 to but excluding July 31, 2022: 0.500%;
- From and including July 31, 2022 to but excluding July 31, 2023: 1.500%;
- From and including July 31, 2023 to but excluding July 31, 2024: 2.500%;
- From and including July 31, 2024 to but excluding July 31, 2026: 5.000%;
- From and including July 31, 2026 to but excluding July 31, 2027: 5.500%;
- From and including July 31, 2027 to but excluding July 31, 2028: 6.000%;
- From and including July 31, 2028 to but excluding July 31, 2029: 6.500%; and
- From and including July 31, 2029 to but excluding July 31, 2040: 6.900%.

(iv) Reduce the threshold needed to give effect to a Non-Reserved Matter Modification under the applicable indentures to more than 50% of the aggregate principal amount of the applicable Series of Eligible Bonds outstanding.

(v) Exclude from the events of default cross defaults arising from defaults under, and defaults arising from the entering or issuance of judgments and arbitral awards relating to (1) any Eligible Bonds that are not modified by the Proposed Modifications, (2) any Modified Eligible Bonds, (3) any New Securities, (4) the 7.25% Social Housing Notes due 2035 (the "**Social Housing Notes**") issued by the Republic, and (5) the 4.625% Notes due 2021 ("**PAM Notes**") issued by La Empresa Pública de Exploración y Explotación de Hidrocarburos Petroamazonas EP ("**PAM**") and guaranteed by the Republic.

(vi) Eliminate the requirement that events of default (other than the non-payment of principal that became due solely as a result of such acceleration) have been cured, waived by the holders of not less than a majority of the principal amount of the outstanding notes or remedied.

(vii) Eliminate Section 7.5 of the indentures for the Aggregated Eligible Bonds in connection with modifications in the context of exchange offers.

(viii) Eliminate Section 7.6 of the indentures for the Aggregated Eligible Bonds in connection with the reopening and new issuance of notes.

Proposed Modifications Relating to the 2024 Bonds

If the Proposed Modifications become effective with respect to the 2024 Bonds, the following modifications will be made to the terms of such Eligible Bonds:

(A) *Proposed Modifications that Relate to a Non-Reserved Matter Modification*

(i) Eliminate all of the covenants set forth in Section 5 (*Certain Covenants of the Republic*) of the Form of Reverse of Notes—Terms and Conditions of the Notes in the indenture governing the 2024 Bonds (the "**2024 Bond Indenture**").

(ii) Eliminate all Events of Default set forth in Section 6 (*Events of Default*) of the Form of Reverse of Notes—Terms and Conditions of the Notes in the 2024 Bond Indenture with the exception of the Event of Default relating to the payment of principal amounts.

(iii) Eliminate Section 7.3 of the 2024 Bonds Indenture in connection with modifications in the context of exchange offers.

(iv) Eliminate Section 7.4 of the 2024 Bonds Indenture in connection with the reopening and new issuance of notes.

(B) *Proposed Modifications that Relate to a Reserved Matter Modification*

(i) Extend the maturity date to July 31, 2040.

(ii) Reduce the outstanding principal amount of the 2024 Bonds such that, for every U.S.$1,000 principal amount originally due, only U.S.$911.30 principal amount will be due, and establish a new principal amortization schedule whereby principal amounts will be payable in ten nominally equal installments on January 31 and July 31 of each year, commencing on January 31, 2036. To reflect the fact that only U.S.$911.30 will be payable for each U.S.$1,000 principal amount originally due, a principal amortization factor of 0.91130 will be instituted with respect to such Eligible Bond.

(iii) Irrevocably waive any accrued and unpaid interest through and excluding the Settlement Date, and thereafter pay interest semi-annually (other than the first interest period) in arrears on January 31 and July 31 of each year, commencing on January 31, 2021, whereby interest shall accrue from and including the Settlement Date at the following annual interest rates:

- From and including the Settlement Date to but excluding July 31, 2021: 0.500%;
- From and including July 31, 2021 to but excluding July 31, 2022: 0.500%;
- From and including July 31, 2022 to but excluding July 31, 2023: 1.500%;
- From and including July 31, 2023 to but excluding July 31, 2024: 2.500%;
- From and including July 31, 2024 to but excluding July 31, 2026: 5.000%;
- From and including July 31, 2026 to but excluding July 31, 2027: 5.500%;
- From and including July 31, 2027 to but excluding July 31, 2028: 6.000%;
- From and including July 31, 2028 to but excluding July 31, 2029: 6.500%; and
- From and including July 31, 2029 to but excluding July 31, 2040: 6.900%.

(iv) Reduce the threshold needed to give effect to a Non-Reserved Matter Modification under the 2024 Bonds indenture to a majority of the aggregate principal amount of the 2024 Bonds.

(v) Amend Section 7 of the 2024 Bonds Indenture to permit aggregation of the 2024 Bonds with any other series of debt securities containing multiple series modification provisions that are substantially in the same form.

(vi) Amend Section 7.1 of the 2024 Bonds indenture to permit the Republic and the trustee to agree to certain technical modifications without the consents of holders, as well as to add covenants or security interest to the benefit of holders.

* * *

The terms and conditions of the Invitation do not limit the Republic's discretion to propose similar or additional amendments with respect to the Eligible Bonds on a future date.

TENDER PROCEDURES

General

The Invitation is being made to all Eligible Holders and Consent and Tender Orders may be delivered only by or on behalf of Eligible Holders.

By submitting a Consent and Tender Order with respect to any Series, Holders are deemed to make certain acknowledgments, representations, warranties and undertakings to us, the Dealer Manager, the Trustee, the Luxembourg Listing Agent, and the Information, Tabulation and Exchange Agent as set forth under "*Representations and Acknowledgements of the Beneficial Owners of the Eligible Bonds.*"

The Invitation will expire at the Expiration Date, unless we, in our sole discretion, extend or terminate it earlier, in accordance with the terms described in this invitation memorandum. We may terminate, withdraw or amend the Invitation at any time before we announce the acceptance of tenders on the Results Announcement Date as described in "*Terms of the Invitation—Expiration; Extension; Termination; and Amendment*."

Submission of Consent and Tender Orders

We are soliciting Consents from Eligible Holders to the Proposed Modifications and, in conjunction with such Consent Solicitation, we are inviting Eligible Holders to also submit Tender Orders to exchange their Eligible Bonds as modified for New Securities. At or prior to the Consent Deadline, Eligible Holders may not deliver their Consents without also submitting their Tender Order pursuant to the Invitation to Exchange, and may not submit their Tender Order without delivering their Consents pursuant to the Consent Solicitation.

The delivery of a Consent and Tender Order by an Eligible Holder (and subsequent acceptance of such tender by us) pursuant to one of the procedures set forth below will constitute a binding agreement between such Eligible Holder and the Republic in accordance with the terms and subject to the conditions set forth herein, which agreement will be governed by, and construed in accordance with, the laws of the State of New York.

Tender Orders may only be made in the authorized denominations set forth in the terms of the corresponding Eligible Bonds. To the extent any Eligible Holder tenders less than all Eligible Bonds of a Series owned by such Eligible Holder, the principal amount not tendered by such Eligible Holder must also be an authorized denomination.

The procedures by which Eligible Bonds may be tendered by beneficial owners who are not registered Holders will depend upon the manner in which Eligible Bonds are held.

Unique Identifier Code

Eligible Holders who wish to have their Consent and Tender Orders certified for the purposes of the extension of the Settlement Deadline pursuant to the Invitation should quote a Unique Identifier Code in their Electronic Tender Instruction in Euroclear or Clearstream, which can be obtained by contacting Citigroup at ny.liabilitymanagement@citi.com. A Unique Identifier Code is not required for an Eligible Holder to participate in the Invitation, but if an Eligible Holder wishes to have their Consent and Tender Orders used to consent to an extension of the Settlement Deadline to September 1, 2020, such Eligible Holder should obtain a Unique Identifier Code and quote their Unique Identifier Code in their Electronic Tender Instruction in Euroclear or Clearstream. The Unique Identifier Code should be quoted in the required field as directed by their respective custodians and by Euroclear or Clearstream, as applicable, within the corresponding Electronic Tender Instruction.

The Republic shall review such Electronic Tender Instructions in order to certify consents of the Eligible Holders representing a majority of the aggregate principal amount Outstanding of all Series of Eligible Bonds. However, no assurances can be given that the Republic will exercise the right to extend the Settlement Deadline.

Eligible Bonds Held Through a Custodian

If you are a beneficial owner holding Eligible Bonds through a custodian, you may not deliver your Consent and/or Tender Order directly. You should contact their custodian to deliver a Consent and Tender Order on your behalf.

Eligible Bonds Held Through Euroclear or Clearstream

If beneficial owners hold their Eligible Bonds through Euroclear or Clearstream, such beneficial owners must submit their Consent and Tender Orders, which includes "blocking" instructions (as defined herein), to Euroclear or Clearstream in accordance with the procedures and deadlines specified by Euroclear or Clearstream at or prior to the Expiration Date (each such submission, an "**Electronic Tender Instruction**").

If beneficial owners hold their Eligible Bonds through a financial institution or other intermediary, such beneficial owners must instruct that financial institution to submit their Consent and Tender Orders on your behalf to Euroclear or Clearstream.

"**Blocking**" instructions means:

- instructions to block any attempt to transfer a Holder's Eligible Bonds at or prior to the Settlement Date;
- instructions to debit a Holder's account on the Settlement Date in respect of all of a Holder's Eligible Bonds, or in respect such lesser portion of a Holder's Eligible Bonds as are accepted for exchange by us, and
- an authorization to disclose, to the Information, Tabulation and Exchange Agent, the identity of the participant account Holder and account information;

Upon revoking a Consent and Tender Order, if applicable pursuant to the Invitation, "blocking" instructions will be automatically revoked.

An Eligible Holder's Consent and Tender Order, which includes Holder's "blocking" instructions must be delivered and received by Euroclear or Clearstream in accordance with the procedures established by them and on or prior to the deadlines established by each of those clearing systems. Eligible Holders are responsible for informing themselves of these deadlines and for arranging the due and timely delivery of "blocking" instructions to Euroclear or Clearstream.

Irregularities

All questions regarding the validity, form and eligibility of any Consent and Tender Order will be determined by us in our sole discretion, which determination will be final and binding. We reserve the absolute right to reject (i) any and all Consent and Tender Orders that are not in proper form and (ii) any and all Consent and Tender Orders for which any corresponding agreement by us to exchange would, in the opinion of our counsel, be unlawful. We reserve the absolute right to waive any of the conditions of the Invitation or defects in Consent and Tender Orders. None of us, the Trustee, the Luxembourg Listing Agent, the Dealer Manager or the Information, Tabulation and Exchange Agent shall be under any duty to give notice to you, as the consenting or tendering Holder, of any irregularities in submission of Consent and Tender Orders, nor shall any of them incur any liability for the failure to give such notice.

Revocation of Consents and Tender Orders

Consents and Tender Orders may not be revoked or withdrawn at any time, except under certain limited circumstances where we make a change (adverse to the economic interests of Eligible Holders) to, or waive a material condition of, the Invitation, or otherwise are required to do so by law, in each case as determined by us in our sole discretion. Such revocation and withdrawal will be permitted for a period of time that we believe, in our sole discretion, adequate to give Eligible Holders an adequate amount of time to consider such changes and determine whether to deliver, revoke or withdraw their Consent and Tender Order. Eligible Holders may not validly revoke a Consent without also withdrawing their Tender Order submitted in connection with such Consent. Prior to

the Consent Deadline, Eligible Holders may not validly withdraw a Tender Order without also revoking the Consent given in connection with such Tender Order.

Publication

All documentation relating to the offer, including without limitation the respective eligibility letter, together with any updates, will be available via the Invitation Website: https://www.gbsc-usa.com/ecuador/.

REPRESENTATIONS AND ACKNOWLEDGEMENTS OF THE BENEFICIAL OWNERS OF THE ELIGIBLE BONDS

By delivering your Consent and Tender Order, you are deemed to acknowledge, represent, warrant and undertake to us, the Dealer Manager, the Trustee, the Luxembourg Listing Agent, and the Information, Tabulation and Exchange Agent that you are an Eligible Holder and that as of the Expiration Date and on the Settlement Date:

- you have received and reviewed this invitation memorandum and understand and agree to all terms and conditions;

- you understand that the delivery of your Consent and Tender Order pursuant to the procedures set forth in this invitation memorandum will constitute your acceptance of the terms and conditions of the Invitation;

- in evaluating the Invitation and in making your decision whether to deliver your Consent and Tender Orders, you have made your own independent appraisal of the matters referred to herein and in any related communications and you are not relying on any statement, representation or warranty, express or implied, made to you by the Republic, the Dealer Manager, the Information, Tabulation and Exchange Agent or any other person, other than those contained in this invitation memorandum (as supplemented prior to the Expiration Date);

- you have sought such accounting, legal and tax advice as you have considered necessary to make an informed investment decision with respect to delivering your Consent and Tender Order;

- you understand and acknowledge that (i) participating in the Invitation involves a high degree of risk, (ii) you will be required to bear the financial and any other risks of investing in the New Securities for an indefinite period of time and (iii) prior to delivering a Consent and Tender Order, you have concluded that you are able to bear those risks for an indefinite period;

- you may lawfully deliver the Consent and Tender Order and you are an Eligible Holder;

- you expressly release us, the Trustee, the Luxembourg Listing Agent, the Dealer Manager and the Information, Tabulation and Exchange Agent from any and all liabilities arising from the failure by us, the Trustee, the Dealer Manager or the Information, Tabulation and Exchange Agent to disclose any information concerning us, the Eligible Bonds, the Proposed Modifications the Invitation to Exchange to you, and you agree to make no claim against us, the Trustee, the Luxembourg Listing Agent, the Dealer Manager or the Information, Tabulation and Exchange Agent in respect thereof;

- you shall indemnify us, the Trustee, the Luxembourg Listing Agent, the Dealer Manager and the Information, Tabulation and Exchange Agent against all and any losses, costs claims, liabilities, expenses, charges, actions or demands that we or any of them may incur or which may be made against any of us or them as a result of your breach of any of the terms of, or any of the representations, warranties and/or undertakings given pursuant to, the Invitation;

- all authority conferred or agreed to be conferred pursuant to your representations, warranties and undertakings and all of your obligations shall be binding upon your successors, assigns, heirs, executors, trustees in bankruptcy and legal representatives and shall not be affected by, and shall survive, your death or incapacity;

- you are solely liable for any taxes and similar or related payments imposed on you under the laws of any applicable jurisdiction as a result of your participation in the Invitations and agree that you will not and do not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against the Republic, any Dealer Manager, the Information, Exchange and Tabulation Agent and the Trustee or any other person in respect of such taxes and payments;

- your Eligible Bonds are not the subject of any proceedings against the Republic or the Trustee of such Eligible Bonds before any court or arbitral tribunal (including claims for payment of past due interest, principal or any other amount sought in connection with your tendered Eligible Bonds or for compensation of lawyers' costs and court fees), except that, to the extent that your tendered Eligible Bonds are the subject of such proceedings, you agree to abandon the proceedings if and to the extent that your tendered Eligible Bonds are successfully modified and substituted or exchanged by or at the direction of the Republic;

- to the extent that you have obtained a judgment from any court or tribunal with respect to your tendered Eligible Bonds (including judgments requiring the Republic to make payment of past due interest, principal or any other amount sought in connection with your tendered Eligible Bonds or for compensation of lawyers' costs and court fees), you hereby irrevocably waive the right to enforce such judgment against the Republic or the trustee of such Eligible Bonds if and to the extent that your tendered Eligible Bonds are exchanged by or at the direction of the Republic;

- you hereby irrevocably waive all rights awarded and any assets attached for your benefit through any prejudgment attachment ordered by any court against the Republic or the trustee of all Eligible Bonds that you beneficially own (including claims for payment of past due interest or any other amount sought in connection with your tendered Eligible Bonds and legal costs) if and to the extent that your tendered Eligible Bonds are successfully modified or are exchanged by or at the direction of the Republic;

- upon the terms and subject to the conditions of the Invitation, you accept the Invitation in respect of the Eligible Bonds that you are tendering and, subject to and effective upon the exchange of the tendered Eligible Bonds on the Settlement Date, you will exchange, assign and transfer to, or to the order of, the Republic all right, title and interest in and to all of the Eligible Bonds tendered by you and such exchange will be deemed to constitute full performance by the Republic of all of its obligations under such Eligible Bonds, such that thereafter you shall have, now or in the future, no contractual or other rights or claims in law or in equity with respect to your tendered Eligible Bonds against the Republic (or its affiliates), the Trustee or any of their agents, officials, officers, employees or advisors;

- the Eligible Bonds that you are tendering constitute all the Eligible Bonds beneficially owned by you;

- you renounce all right, title and interest in and to all Eligible Bonds exchanged by or at the direction of the Republic, and waive and release the Republic and the trustee for such Eligible Bonds from any and all claims you may have, now or in the future, arising out of or related to the Invitation and such Eligible Bonds, including, without limitation, any claims that you are entitled to receive additional principal or interest payments with respect to such Eligible Bonds (other than as otherwise expressly provided in this invitation memorandum);

- you agree to provide the Republic the September 2020 Specified Waiver;

- you have full power and authority to accept the Invitation and tender, exchange, assign and transfer the Eligible Bonds tendered, and that, if such Eligible Bonds are accepted for exchange then (i) on the Settlement Date, you will deliver good and marketable title thereto, free and clear of all liens, charges, claims, interests, rights of third parties, encumbrances and restrictions of any kind and such Eligible Bonds will not be subject to any adverse claim or right; and (ii) you will, upon request, execute and deliver additional documents and/or do such other things deemed by us, the Dealer Manager, the Trustee, the Luxembourg Listing Agent, or the Information, Tabulation and Exchange Agent to be necessary or desirable to complete the exchange, assignment and transfer of the Eligible Bonds tendered or to evidence such power and authority;

- you understand that the acceptance for exchange of Eligible Bonds pursuant to any of the procedures described in this invitation memorandum will constitute a binding agreement between you and us in accordance with the terms and subject to the conditions of the Invitation;

- you have (a) arranged for a direct participant in Euroclear or Clearstream, as appropriate, to deliver tender instructions with respect to the Eligible Bonds to Euroclear or Clearstream, as appropriate, in the manner specified in the Invitation prior to the Expiration Date, (b) authorized Euroclear or Clearstream, as appropriate, in accordance with their procedures and deadlines, to (i) block any attempt to transfer such Eligible Bonds prior to the Settlement Date, (ii) cancel such Eligible Bonds (or such lesser portion as shall be accepted for tender by us) on the Settlement Date and (iii) disclose the name of the beneficial owner and information about the foregoing instructions with respect to such Eligible Bonds, and (c) further authorized the Information, Tabulation and Exchange Agent to instruct Euroclear or Clearstream, as appropriate, as to the aggregate principal amount of such Eligible Bonds that shall have been accepted for tender by us;

- you waive Swiss bank customer secrecy and/or other confidentiality obligations to the extent necessary to execute the Consent and Tender Order;

- you have obtained any and all regulatory approvals required under the laws of any applicable jurisdiction, if any, for you to deliver the Consent and Tender Order and to acquire the New Securities pursuant to the Invitation to Exchange; and

- if you are located and/or resident in Japan, (a) you are a qualified institutional investor, as defined in Article 10 of the Ordinance of Cabinet Office Concerning Definitions Provided in Article 2 of the Financial Instruments and Exchange Act of Japan ("**QII**"); and (b) you have been informed that (1) the New Securities have not been and will not be registered under Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**FIEA**") since the offering in Japan constitutes the private placement to QIIs under Article 2, Paragraph 3, Item 2-A of the FIEA; and (2) any transfer of the New Securities is prohibited except where it is transferred to QIIs.

DESCRIPTION OF THE NEW SECURITIES

The New Securities will be issued under the New Indenture between the Republic of Ecuador and The Bank of New York Mellon, as trustee, and The Bank of New York Mellon, London Branch, as paying agent.

This section of this invitation memorandum is only a summary of the material provisions of the New Securities and the indenture, and it does not contain all of the information that may be important to you as a potential investor in the New Securities. Because this section is only a summary, you should refer to the New Indenture and the form of the applicable Series of New Securities for a complete description of Ecuador's obligations and your rights as a holder or beneficial owner of the New Securities.

Specific Terms of Each Series of New Securities

The New 2030 Bond

The New 2030 Bond will:

- be issued in an aggregate principal amount of up to US$3,768,000,000;
- have a final maturity date of July 31, 2030;
- pay principal amounts, in Dollars, in ten nominally equal installments on January 31 and July 31 of each year, commencing on January 31, 2026;
- pay interest semi-annually (other than the first interest period) in arrears on January 31 and July 31 of each year, commencing on January 31, 2021 to the holders of record on the January 15 and July 15 immediately preceding the related interest payment date (whether or not a business day); and
- accrue interest at the following annual interest rates:
    - From and including the Settlement Date to but excluding July 31, 2021: 0.500%;
    - From and including July 31, 2021 to but excluding July 31, 2022: 5.000%;
    - From and including July 31, 2022 to but excluding July 31, 2023: 5.500%;
    - From and including July 31, 2023 to but excluding July 31, 2024: 6.000%; and
    - From and including July 31, 2024 to but excluding July 31, 2030: 6.900%.

The New 2035 Bond

The New 2035 Bond will:

- be issued in an aggregate principal amount of up to US$8,606,000,000;
- have a final maturity date of July 31, 2035;
- pay principal amounts, in Dollars, in ten nominally equal installments on January 31 and July 31 of each year, commencing on January 31, 2031; and
- pay interest semi-annually (other than the first interest period) in arrears on January 31 and July 31 of each year, commencing on January 31, 2021 to the holders of record on the January 1 and July 1 immediately preceding the related interest payment date (whether or not a business day); and

- accrue interest at the following annual interest rates:
    - From and including the Settlement Date to but excluding July 31, 2021: 0.500%;
    - From and including July 31, 2021 to but excluding July 31, 2022: 1.000%;
    - From and including July 31, 2022 to but excluding July 31, 2023: 2.500%;
    - From and including July 31, 2023 to but excluding July 31, 2024: 3.500%;
    - From and including July 31, 2024 to but excluding July 31, 2025: 5.500%; and
    - From and including July 31, 2025 to but excluding July 31, 2035: 6.900%.

The New 2040 Bond

The New 2040 Bond will:

- be issued in an aggregate principal amount of up to US$3,460,000,000;
- have a final maturity date of July 31, 2040;
- pay principal amounts, in Dollars, in ten nominally equal installments on January 31 and July 31 of each year, commencing on January 31, 2036; and
- pay interest semi-annually (other than the first interest period) in arrears on January 31 and July 31 of each year, commencing on January 31, 2021 to the holders of record on the January 1 and July 1 immediately preceding the related interest payment date (whether or not a business day); and
- accrue interest at the following annual interest rates:
    - From and including the Settlement Date to but excluding July 31, 2021: 0.500%;
    - From and including July 31, 2021 to but excluding July 31, 2022: 0.500%;
    - From and including July 31, 2022 to but excluding July 31, 2023: 1.500%;
    - From and including July 31, 2023 to but excluding July 31, 2024: 2.500%;
    - From and including July 31, 2024 to but excluding July 31, 2026: 5.000%;
    - From and including July 31, 2026 to but excluding July 31, 2027: 5.500%;
    - From and including July 31, 2027 to but excluding July 31, 2028: 6.000%;
    - From and including July 31, 2028 to but excluding July 31, 2029: 6.500%; and
    - From and including July 31, 2029 to but excluding July 31, 2040: 6.900%.

The New PDI 2030 Bond

The New PDI 2030 Bond will:

- be issued in an aggregate nominal amount of up to 86% of all accrued and unpaid interest outstanding on the respective Eligible Bonds up to, but excluding the Settlement Date;

- have a final maturity date of July 31, 2030;

- pay principal amounts, in Dollars, in ten nominally equal installments on January 31 and July 31 of each year, commencing on January 31, 2026; and

- pay zero interest.

General Terms of the New Securities

Basic Terms

Each of the New Securities will:

- be general, direct, unsecured, unsubordinated and unconditional obligations of Ecuador and will be backed by the full faith and credit of Ecuador;

- be issued in denominations of US$1.00 and in integral multiples of US$1.00 in excess thereof;

- not be entitled to the benefit of a sinking fund;

- be represented by one or more registered bonds in global form, but in certain limited circumstances may be represented by bonds in certificated form; and

- contain "collective action clauses" under which Ecuador may amend certain key terms of the New Securities, including the maturity date, interest rate and other terms, with the consent of less than all of the holders of the New Securities.

Interest

Interest on each of the New Securities will:

- accrue from and including the Settlement Date, or the most recent interest payment date; and

- be computed on the basis of a 360 day year comprised of twelve 30 day months.

Payment

Principal of, and premium, if any, and interest on, the New Securities will be payable at the offices or agencies maintained by Ecuador for such purpose (which initially will be the offices of the paying agents specified on the inside back cover page of this invitation memorandum). Payment of principal of, and premium, if any, and interest on New Securities in global form registered in the name of or held by Euroclear or Clearstream (any of Euroclear and Clearstream, the "Depositary") or its nominee, will be made in U.S. Dollars in immediately available funds to the Depositary or its nominee, as the case may be, as the registered holder of the global bonds, which will receive the funds in trust for, and for distribution to, the beneficial owners. If any of the New Securities are no longer represented by global bonds, payment of principal of and interest on Certificated Securities may, at Ecuador's option, be made by check mailed directly to holders at their registered addresses (except for (i) registered holders of at least US$1,000,000 aggregate principal amount of New Securities, to whom payments will be made by wire transfer if such holder elects so; *provided* that not less than 15 days prior to the payment date, such holders have given the trustee notice of their election to receive payment by wire transfer and provided the trustee with bank account information and wire transfer instructions or (ii) if Ecuador is making such payments at maturity and such person surrenders the Certificated Securities at the corporate trust office or at the offices of one of the other paying agents designated by Ecuador).

If Ecuador is not required to pay principal or interest by wire transfer, it will, subject to applicable laws and regulations, mail a check on or before the due date for the payment. The check will be mailed to such holder at their address as it appears on the register as of the applicable record date.

Ecuador will maintain a paying agent, a transfer agent and a registrar in New York City and a paying agent in at least one member state of the European Union ("European Union Member") (which, so long as the New Securities are listed on the Euro MTF market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, will be in Luxembourg). Ecuador has initially appointed The Bank of New York Mellon, London Branch to serve as London paying agent and The Bank of New York Mellon SA/NV, Luxembourg Branch to serve as Luxembourg paying agent and Luxembourg listing agent. Ecuador will give prompt notice to all holders of the New Securities and the trustee of any future appointment or any resignation or removal of any paying agent, transfer agent or registrar or of any change by any paying agent, transfer agent or registrar in any of its specified offices.

If any date for an interest or principal payment is not a business day, Ecuador will make the payment on the next succeeding business day. Such payments will be deemed to have been made on the due date, and no interest on the New Securities will accrue for the period after the due date. For the purpose of this section, a "business day" means any day that is not a Saturday or Sunday, or any other day on which commercial banks in New York City, London, or Quito, Ecuador (or in the city where the relevant paying or transfer agent is located) are required or authorized by law to close.

To the extent permitted by law, claims against Ecuador for the payment of principal of or interest or other amounts due on, the New Securities (including Additional Amounts (as defined below)) will become void unless made within six years of the date on which that payment first became due.

The registered holder of a New Security will be treated as its owner for all purposes.

Certificated Securities

Ecuador may issue Certificated Securities in certain limited circumstances. For more information, see "*Book-Entry, Delivery and Form—Certificated Securities*."

Transfer, Exchange and Replacement of New Securities

The New Securities may be transferred or exchanged in whole or in part at the offices or agencies maintained by Ecuador for such purpose (which initially will be the offices of the transfer agent specified on the inside back cover page of this invitation memorandum) together with an executed instrument of transfer or exchange.

No service charge will be made for any registration of transfer or exchange of New Securities, but Ecuador, the trustee or any transfer agent may require payment of an amount sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

If a New Security becomes mutilated, defaced, destroyed, lost or stolen, Ecuador may issue, and the trustee will authenticate and deliver, a substitute New Security. In each case, the applicant for a substitute New Security will be required to furnish to Ecuador, the trustee, the paying agent, the transfer agent and the registrar an indemnity under which it will agree to pay Ecuador, the trustee, the paying agent, the transfer agent and the registrar for any losses they may suffer relating to the New Security that was mutilated, defaced, destroyed, lost or stolen. Ecuador and the trustee may also require that the applicant present other documents or proof. The applicant will be required to pay all expenses and reasonable charges associated with the replacement of the mutilated, defaced, destroyed, lost or stolen New Security.

Further Issuances

Ecuador may from time to time, without the consent of holders of the New Securities, create and issue additional debt securities of the same series as the New Securities having the same terms and conditions as the New Securities in all respects, except for issue date, issue price and the first payment on the New Securities; provided, however, that any such additional debt securities subsequently issued shall be issued, for U.S. federal income tax purposes, either (a) as part of the "same issue" as the New Securities or (b) in a "qualified reopening" of the New Securities, unless such additional debt securities have a separate CUSIP, ISIN or other identifying number from the previously outstanding New Securities. Such additional debt securities will be consolidated with and will form a single series with the previously outstanding New Securities.

Additional Amounts

Payments of principal of, and premium, if any, and interest on the New Securities are not currently subject to withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature in Ecuador. All payments by Ecuador in respect of the New Securities shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or other governmental charges of whatever nature, unless the withholding or deduction is required by law. If any such withholding or deduction is imposed or levied by or on behalf of Ecuador, or any political subdivision or taxing authority or agency therein or thereof having the power to tax (collectively, "relevant tax"), Ecuador shall pay such additional amounts ("Additional Amounts") as may be necessary to ensure that the amounts received by holders or beneficial owners after such withholding or deduction shall equal the respective amounts of principal and interest that would have been receivable in respect of the New Securities in the absence of such withholding or deduction; *provided*, *however*, that no such Additional Amounts shall be payable in respect of any relevant tax:

- in respect of any New Security held by or on behalf of a holder or a beneficial owner of a New Security that is liable for such taxes, duties, assessments or governmental charges by reason of such holder or beneficial owner having some present or former connection with Ecuador other than any connection arising merely from the holding of such New Security or from receipt, of principal or interest or the enforcement of rights in respect thereof;

- in respect of any New Security held by or on behalf of a holder or a beneficial owner of such New Security that is liable for such taxes, duties, assessments or governmental charges by reason of the failure of such holder or beneficial owner to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with Ecuador, or any political subdivision or taxing authority thereof or therein, of such holder or beneficial owner or of the holder or beneficial owner of any interest in such New Security or any rights in respect thereof, provided that, (A) compliance is required by Ecuador, or any political subdivision or taxing authority thereof or therein, as a precondition to exemption from all or any portion of such withholding or deduction, (B) at least 30 days prior to the first scheduled payment date for which compliance will be required, Ecuador has notified the holders in writing that holders of New Securities must comply with such certification, identification or other reporting requirement in order to receive Additional Amounts; and (C) such requirements are not materially more onerous to such holders or beneficial owners (in form, in procedure or in the substance of information disclosed) than comparable information or other reporting requirements imposed under U.S. federal tax law, regulation and administrative practice (such as U.S. Internal Revenue Service Forms W-8 and W-9); or

- in respect of any New Security presented for payment (where such presentation is required) more than 30 days after the relevant date except to the extent that the holder thereof would have been entitled to Additional Amounts on presenting the same for payment on any date during such 30-day period.

As used herein, "relevant date" in respect of any New Security means the date on which payment in respect thereof first becomes due or, if the full amount of the money payable has not been received by the trustee on or prior

to such due date, the date on which notice is duly given to the holders that such monies have been so received and are available for payment. All references in this invitation memorandum to principal of, and premium, if any, or interest on the New Securities will include any Additional Amounts payable by Ecuador in respect of such principal or interest.

Ecuador will pay any present or future stamp, court or documentary taxes or any excise or property taxes, charges or similar levies which arise in Ecuador or any political subdivision thereof or taxing authority thereof or therein in respect of the creation, issue, execution, delivery or registration of the New Securities or any other document or instrument referred to therein. Ecuador will also indemnify the holders or beneficial owners from and against any stamp, court or documentary taxes or any excise or property taxes, charges or similar levies resulting from, or required to be paid by any of them in any jurisdiction in connection with, the enforcement of the obligations of Ecuador under the New Securities or any other document or instrument referred to therein following the occurrence of any event of default.

Repurchase

The New Securities will not be redeemable prior to maturity at the option of Ecuador or repayable prior to maturity at the option of the holders, except that Ecuador may at any time purchase New Securities in the open market or otherwise at any price. Any New Security so purchased (including upon any redemption) shall not be re-issued or resold except in compliance with the Securities Act and other applicable law.

Certain Covenants of Ecuador

So long as any New Security remains outstanding or any amount payable by Ecuador under the New Securities shall remain unpaid, Ecuador agrees that it shall:

(a) obtain and maintain in full force and effect all Ecuadorian Authorizations, necessary under the laws of Ecuador for the execution and delivery of, and performance by Ecuador under, the New Securities or for its validity or enforceability, and take all necessary and appropriate governmental and administrative action in Ecuador in order for Ecuador to be able to make all payments to be made by it under the New Securities;

(b) ensure that at all times its obligations under the New Securities are general, direct, unsecured, unsubordinated and unconditional obligations of Ecuador and will be backed by the full faith and credit of Ecuador and ensure that the New Securities will rank equally in terms of priority with Ecuador's External Indebtedness (other than Excluded Indebtedness), provided that such ranking is in terms of priority only and does not require that Ecuador make ratable payments on the New Securities with payments made on its other External Indebtedness;

(c) use its reasonable best efforts to list and thereafter to maintain the listing of the New Securities on the Luxembourg Stock Exchange;

(d) not create or suffer to exist, or permit the Banco Central to create or suffer to exist, any Lien upon any of its present or future assets or revenues to secure or otherwise provide for the payment of any External Indebtedness of Ecuador or the Banco Central unless, on or prior to the date such Lien is created or comes into existence, the obligations of Ecuador under the New Securities are secured equally and ratably with such External Indebtedness; and

(e) on an annual basis publish no later than June 30 of the relevant year (which can be by posting to a publicly available website maintained by Ecuador) the Republic Aggregate Debt Information with respect to the preceding calendar year.

The Republic may, however, create or permit to subsist "Permitted Liens."

Events of Default

Each of the following is an event of default with respect to each series of the New Securities:

(a) *Non-Payment.* (i) Failure to pay principal on the New Securities of such series when due (unless such non-payment is due to an administrative or technical error and is remedied within five (5) business days of the date when such payment is due); or (ii) failure to pay interest on the New Securities of such series within 30 days following the due date; or

(b) *Breach of Other Obligations.* Failure to observe or perform any of the covenants or agreements for such series provided herein or in the New Indenture (in each case, other than those referred to in (a) above) for a period of 30 days following written notice to Ecuador by the trustee or holders representing at least 25% in principal amount of the then outstanding New Securities of such series to remedy such failure; or

(c) *Cross-Default.*

(i) Ecuador fails to make any payment in respect of any External Indebtedness (other than Excluded Indebtedness) in an aggregate principal amount in excess of U.S.$50,000,000 (or its equivalent in any other currency) when due (as such date may be extended by virtue of any applicable grace period or waiver); or

(ii) The holders of at least 25% of the aggregate outstanding principal amount of any External Indebtedness (other than Excluded Indebtedness) having an aggregate principal amount in excess of U.S.$ 50,000,000 (or its equivalent in any other currency), accelerate or declare such External Indebtedness to be due and payable, or required to be prepaid (other than by a regularly scheduled prepayment), prior to its stated maturity, as a result of any default by Ecuador under such External Indebtedness, and such acceleration, declaration or prepayment is not annulled or rescinded within 30 days;

(d) *Moratorium.* Ecuador, or a court of proper jurisdiction, declares a formal and official suspension of payments or a moratorium with respect to the payment of principal of, or interest on, Ecuador's External Indebtedness (other than Excluded Indebtedness);

(e) *Validity.*

(i) Ecuador denies, repudiates or contests any of its obligations under the New Securities of such series in a formal administrative, legislative, judicial or arbitral proceeding; or

(ii) Any constitutional provision, treaty, law, regulation, decree, or other official pronouncement of Ecuador, or any final decision by any court in Ecuador having jurisdiction, renders it unlawful for Ecuador to pay any amount due on the New Securities of such series or to perform any of its obligations under the New Securities of such series;

(f) *IMF Membership.* Ecuador fails to maintain its membership in the IMF or ceases to be eligible to use the resources of the IMF;

(g) *CAF, FLAR and IDB Membership.* Ecuador fails to maintain its membership in, or its eligibility to use the general resources or equivalent of, any of CAF, FLAR and IDB;

(h) *Judgment.* There shall have been entered against Ecuador or the Banco Central in a matter related to External Indebtedness (other than Excluded Indebtedness) a final judgment, decree or order by a court of competent jurisdiction from which no appeal may be made, or is made within the time limit for doing so, for the payment of money in excess of U.S.$50,000,000 (or its equivalent in another currency) and 120 days shall have passed since the entry of any such order without Ecuador having satisfied the judgment;

(i) *Arbitral Award.* There shall be made against Ecuador or the Banco Central in a matter related to External Indebtedness (other than Excluded Indebtedness) an arbitral award by a tribunal of competent jurisdiction from which no appeal or application to a tribunal or court of competent jurisdiction to set aside may be made, or is made within the time limit for doing so, for the payment of money in excess of U.S.$50,000,000 (or its equivalent in another currency) and 120 days shall have passed since the making of any such award without Ecuador having satisfied the award; and

(j) *Information Covenant*. Ecuador fails to publish on an annual basis no later than June 30 of the relevant year (which can be by posting to a publicly available website maintained by Ecuador) the Republic Aggregate Debt Information with respect to the preceding calendar year for a period of 90 days following written notice to Ecuador by the trustee or holders representing at least 25% in principal amount of the then outstanding New Securities of such series to remedy such failure;

If any of the events of default described above occurs and is continuing, the holders of not less than 25% of the aggregate principal amount of the then-outstanding New Securities of each series may, by written notice to Ecuador with a copy to the trustee, declare all the New Securities of such series then outstanding to be immediately due and payable. Accordingly, holders of less than 25% of the aggregate principal amount of the outstanding New Securities of each series may not, on their own, declare the New Securities of such series due and payable immediately. The holders of the New Securities of each series may exercise these acceleration rights only by providing such written notice to Ecuador, with a copy to the trustee, at a time when the event of default is continuing.

Ecuador will notify the trustee promptly upon becoming aware of the occurrence of any event of default or potential event of default.

Upon any declaration of acceleration, the principal of, and interest and all other amounts payable on, the New Securities of the relevant series will become immediately due and payable on the date on which Ecuador receives written notice of the declaration, unless Ecuador has remedied the event or events of default prior to receiving the notice. The holders representing in the aggregate more than 50% of the principal amount of the outstanding New Securities of such series may, on behalf of all holders of such series, waive any existing defaults or events of default and their consequences or rescind a declaration of acceleration, if:

- following the declaration of the New Securities of such series to be due and payable immediately, Ecuador deposits forthwith with the trustee a sum sufficient to pay all overdue installments of principal, interest and other amounts in respect of the New Securities of such series as well as the reasonable expenses and indemnities, fees and compensation of the trustee; and

- all other events of default have been remedied.

Meetings, Amendments and Waivers—*Collective Action*

Ecuador may call a meeting of the holders of the New Securities at any time regarding the New Indenture or the New Securities. Ecuador will determine the time and place of the meeting and will notify the holders and the trustee of the time, place and purpose of the meeting not less than 30 and not more than 60 days before the meeting.

In addition, Ecuador or the trustee will call a meeting of the holders of the New Securities of each series if holders of not less than 10% of the aggregate principal amount of the outstanding New Securities of such series have delivered a written request to Ecuador or the trustee (with a copy to Ecuador) setting forth the purpose of the meeting. Within 10 days of receipt of such written request or copy thereof, Ecuador will notify the trustee and the trustee will notify the holders of the time, place and purpose of the meeting called by the holders, to take place not less than 30 and not more than 60 days after the date on which such notice is given.

Only holders of New Securities and their proxies are entitled to vote at a meeting of holders. Ecuador will set the procedures governing the conduct of the meeting and if additional procedures are required, Ecuador will consult with the trustee to establish such procedures as are customary in the market.

Modifications may also be approved by holders of New Securities pursuant to written action with the consent of the requisite percentage of New Securities. Ecuador will solicit the consent of the relevant holders to the modification not less than 10 and not more than 30 days before the expiration date for the receipt of such consents as specified by Ecuador.

The holders of the New Securities may generally approve any proposal by Ecuador to modify or take action with respect to the New Indenture or the terms of the New Securities with the affirmative vote (if approved at a meeting of the holders) or consent (if approved by written action) of holders of more than 50% of the outstanding aggregate principal amount of that series of the New Securities of each series.

However, holders of any series of debt securities issued under the New Indenture (including the New Securities) may approve, by vote or consent through one of three modification methods, any modification, amendment, supplement or waiver proposed by Ecuador that would do any of the following (such subjects referred to as "reserve matters"):

- change the date on which any amount is payable on the debt securities;
- reduce the principal amount (other than in accordance with the express terms of the debt securities and the New Indenture) of the debt securities;
- reduce the interest rate on the debt securities;
- change the method used to calculate any amount payable on the debt securities (other than in accordance with the express terms of the debt securities and the New Indenture);
- increase the percentage of holders required to accelerate or reduce the percentage of holders required to rescind the acceleration of a series of debt securities;
- change the coin, currency or place of payment of any amount payable on the debt securities;
- modify Ecuador's obligation to make any payments on the debt securities (including any redemption price therefor);
- change the identity of the obligor under the debt securities;
- change the definition of "outstanding debt securities" or the percentage of affirmative votes or written consents, as the case may be, required to make a "reserve matter modification";
- change the definition of "debt security," or "series";
- change the definition of "uniformly applicable" or "reserve matter modification";
- change the definition of "restructuring exchange offer," or the sections in the indenture related to "reserve matter modification methods" or "cross-series modifications with single aggregated voting" or "re-designation";
- authorize the trustee, on behalf of all holders of the debt securities, to exchange or substitute all the debt securities for, or convert all the debt securities into, other obligations or securities of Ecuador or any other person; or
- change the legal ranking, governing law, submission to jurisdiction, arbitral provisions or waiver of immunities provisions of the terms of the debt securities.

A change with respect to a reserve matter, including the payment terms of the New Securities of a series, can be made without your consent, as long as the change is approved, pursuant to one of the three following modification methods, by vote or consent by:

- the holders of more than 75% of the aggregate principal amount of the outstanding New Securities insofar as the change affects the New Securities of such series (but does not modify the terms of any other debt securities issued under the New Indenture);

- where such proposed modification would affect the outstanding debt securities of any two or more series (including the New Securities of such series) issued under the New Indenture, the holders of more than 75% of the aggregate principal amount of the outstanding debt securities of all the series affected by the proposed modification, taken in the aggregate, if certain "uniformly applicable" requirements are met; or

- where such proposed modification would affect the outstanding debt securities of any two or more series (including the New Securities of such series) issued under the New Indenture, whether or not the "uniformly applicable" requirements are met, the holders of more than $66^2/_3\%$ of the aggregate principal amount of the outstanding debt securities of all of the series (including the New Securities) affected by the proposed modification, taken in the aggregate, *and* the holders of more than 50% of the aggregate principal amount of the outstanding debt securities of each series (including each series of the New Securities) affected by the modification, taken individually.

Any modification consented to or approved by the holders of debt securities pursuant to the above provisions will be conclusive and binding on all holders of the relevant series of debt securities or all holders of all series of debt securities affected by a cross-series modification, as the case may be, whether or not they have given such consent, and on all future holders of those debt securities whether or not notation of such modification is made upon the debt securities. Any instrument given by or on behalf of any holder of a debt security in connection with any consent to or approval of any such modification will be conclusive and binding on all subsequent holders of that debt security.

If Ecuador proposes a "restructuring exchange offer" (as defined below) or cross-series modification with two-tier voting under the New Indenture, Ecuador shall not, for 36 months after the settlement of such restructuring exchange offer or the effectiveness of such modification, select a cross-series modification with single aggregated voting as the method of modification for a proposed reserve matter that affects (i) any of the series of debt securities initially designated but not successfully modified pursuant to the initial cross-series modification or any series not fully exchanged pursuant to the restructuring exchange offer and (ii) any series of debt securities successfully modified, exchanged or substituted for pursuant to such modification or any series of debt securities into which debt securities were exchanged pursuant to such restructuring exchange offer (or any series of debt securities into which any of the foregoing is subsequently modified, exchanged or substituted), unless such prior modification or restructuring exchange offer received the affirmative vote or consent or participation, as the case may be, of holders of more than 75% of the aggregate principal amount of the outstanding debt securities of all the series initially designated to be included in that modification or restructuring exchange offer.

"**Restructuring exchange offer**" means an offer inviting Holders of more than one Series of debt securities to exchange such debt securities for new debt securities (other than an invitation to exchange where (i) the debt securities to be exchanged are trading above 90% of their par value (or accreted value in the case of debt securities initially issued at a discount) on an internationally recognized financial information platform (such as Bloomberg) at 4:00 p.m., New York time, as reported on the Business Day immediately prior to the date on which the invitation is launched, and (ii) the sum of the net present values of the new debt securities and any other consideration delivered in the exchange is not less than 90% of the sum of the net present values of the debt securities and any other consideration to be exchanged, in each case, discounted at the same rate of return).

"**Uniformly applicable**," as referred to above, means a modification by which holders of debt securities of any series affected by that modification are invited to exchange, convert or substitute their debt securities on the same terms for (x) the same new instruments or other consideration or (y) new instruments or other consideration

from an identical menu of instruments or other consideration. It is understood that a modification will not be considered to be uniformly applicable if each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification (or, where a menu of instruments or other consideration is offered, each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification electing the same option under such menu of instruments).

Before soliciting any consent or vote of any holder of a New Security of a series for any change to a reserve matter, Ecuador will provide the following information to the trustee for onward distribution to the holders of the New Securities of such series:

- a description of Ecuador's economic and financial circumstances that are in Ecuador's opinion, relevant to the request for the proposed modification, a description of Ecuador's existing debts and description of its broad policy reform program and provisional macroeconomic outlook;

- if Ecuador shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, (x) a description of any such arrangement or agreement and (y) where permitted under the information disclosure policies of the multilateral or other creditors, as applicable, a copy of the arrangement or agreement;

- a description of Ecuador's proposed treatment of foreign debt instruments that are not affected by the proposed modification and its intentions with respect to any other major creditor groups; and

- if Ecuador is then seeking any reserve matter modification affecting any other series of debt securities, a description of that proposed modification.

For purposes of determining whether the required percentage of holders of the New Securities of a series or any other series of debt securities has approved any amendment, modification or change to, or waiver of, such series of New Securities, such other series of debt securities or the New Indenture, or whether the required percentage of holders has delivered a notice of acceleration of such series of New Securities, debt securities will be disregarded and deemed not to be outstanding and may not be counted in a vote or consent solicitation for or against a proposed modification if on the record date for the proposed modification or other action or instruction hereunder, the debt security is held by Ecuador or by a public sector instrumentality of Ecuador, except that (x) debt securities held by Ecuador or any public sector instrumentality of Ecuador which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the trustee the pledgee's right so to act with respect to such debt securities and that the pledgee is not Ecuador or a public sector instrumentality of Ecuador, and in case of a dispute concerning such right, the advice of counsel shall be full protection in respect of any decision made by the trustee in accordance with such advice and any certificate, statement or opinion of counsel may be based, insofar as it relates to factual matters or information which is in the possession of the trustee, upon the certificate, statement or opinion of or representations by the trustee; and (y) in determining whether the trustee will be protected in relying upon any such action or instructions hereunder, or any notice from holders, only debt securities that a responsible officer of the trustee knows to be so owned or controlled will be so disregarded.

As used in the preceding paragraph, "public sector instrumentality" means (i) the *Banco Central del Ecuador* ("**Central Bank of Ecuador**"), (ii) any department, secretary, ministry or agency of the central government of Ecuador and (iii) any corporation, trust or other legal entity owned or controlled by the central government of Ecuador or by any of the entities identified in the preceding clauses (i), (ii) and (iii). The term "control" means, in turn, the power, directly or indirectly, through the ownership of voting securities or other ownership interests, by contract or otherwise, to direct the management of or to elect or to appoint a majority of the

board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of that legal entity.

Re-designation

Ecuador shall have the discretion to propose a modification pursuant to any modification method and, for modification methods affecting cross-series modifications, to designate which series of debt securities will be aggregated for purposes of considering the approval of such modification; provided however, except as set forth at the end of this paragraph, that Ecuador shall choose the modification method(s) and specify the modification method(s) to holders of affected series of debt securities at the time that Ecuador proposes the modification. For the avoidance of doubt, once Ecuador elects the modification method(s), proposes the modification of a reserve matter, and designates the series of debt securities that will be aggregated for purposes of such modification, such election, proposal, and designation may not be changed, modified or supplemented without providing written notice of such change, modification, or supplement to holders of affected series of debt securities and ensuring such holders have not less than a further five (5) business days from the date of such notice to cast, revoke or change any vote or approval requested in connection with such proposed modification. Notwithstanding the foregoing, at any time prior to the effectiveness of the modification and without prior notice to holders of any debt securities initially designated to be included, Ecuador shall have discretion to re-designate if such prior cross-series modification received the affirmative vote or consent or participation, as the case may be, of holders of more than 66⅔% of the aggregate principal amount of the outstanding debt securities of all the series initially designated to be included in that restructuring exchange offer or cross-series modification. See "*—Meetings, Amendments and Waivers—Collective Action.*

Other Amendments

Ecuador and the trustee may, without the vote or consent of any holder of the New Securities of a series, amend the New Indenture or the New Securities of a series for the purpose of:

- adding to Ecuador's covenants for the benefit of the holders;
- surrendering any of Ecuador's rights or powers with respect to the New Securities of such series;
- securing the New Securities of such series;
- curing any ambiguity or curing, correcting or supplementing any defective provision in the New Securities of such series or the New Indenture;
- amending the New Securities of such series or the New Indenture in any manner that Ecuador and the trustee may determine and that does not materially adversely affect the interests of any holders of the New Securities of such series;
- amending the authorized denominations of the debt securities of such series; or
- correcting a manifest error of a formal, minor or technical nature.

Notices

Ecuador will mail notices to holders of Certificated Securities at their registered addresses, as reflected in the register maintained by the registrar. Ecuador will consider any mailed notice to have been given five business days after it has been sent. Ecuador will give notices to the holders of Global Bonds in accordance with the procedures and practices of the Depositary and such notices shall be deemed given upon actual receipt thereof by the Depositary.

Ecuador will also publish notices to the holders in leading newspapers having general circulation in New York City and London. Ecuador anticipates that it will make such publications in *The Wall Street Journal* and the

Financial Times. In addition, so long as any series of the New Securities are listed on the Euro MTF market of the Luxembourg Stock Exchange and the rules of that Exchange so require, Ecuador will publish notices to the holders of such series in a leading newspaper having general circulation in Luxembourg and on the website of the Luxembourg Stock Exchange (www.bourse.lu). Ecuador anticipates that it will initially make its newspaper publication in the *Luxemburger Wort*. If publication in a leading newspaper in Luxembourg is not practical, Ecuador will publish such notices in one other leading English language daily newspaper with general circulation in Europe. Ecuador will consider any published notice to be given on the date of its first publication.

Governing Law

The New Securities will be, and the New Indenture is, governed by, and construed in accordance with, the laws of the State of New York, except that all matters governing jurisdiction of disputes involving Ecuador are governed by the laws of England.

Submission to Jurisdiction

(1) Jurisdiction of Disputes Involving Ecuador:

(a) Any dispute, controversy or claim of any nature arising out of, relating to or having any connection with the New Securities of a series, including any dispute as to the existence, validity, interpretation, performance, breach, termination or consequences of the nullity of the New Securities of such series (a "Dispute"), where Ecuador is either a party, claimant, respondent or otherwise is necessary thereto, shall not be referred to a court of any jurisdiction and shall instead be referred to and finally resolved by arbitration under the Rules of the LCIA ("LCIA Rules") as at present in force as modified by this Section (1), which LCIA Rules are deemed to be incorporated by reference into this Section (1). The provisions in the LCIA Rules regarding an Emergency Arbitrator shall not apply. Capitalized terms used in this Section (1) which are not otherwise defined in this Indenture shall have the meaning given to them in the LCIA Rules. In particular:

i. There shall be three arbitrators.

ii. Each arbitrator shall be an English or New York qualified lawyer of at least fifteen (15) years' standing with experience in relation to international banking or capital markets disputes. At least one of those arbitrators shall be a lawyer qualified in New York.

iii. If there are two parties to the Dispute, each party shall be entitled to nominate one arbitrator. If there are multiple claimants and/or multiple respondents, all claimants and/or all respondents shall attempt to agree upon their respective nomination(s) such that the claimants shall together be entitled to nominate one arbitrator and the respondents shall together be entitled to nominate one arbitrator. If any such party or multiple parties fail to nominate an arbitrator within thirty (30) days from and including the date of receipt of the relevant request for arbitration, an arbitrator shall be appointed on their behalf by the LCIA Court in accordance with the LCIA Rules and applying the criteria at sub-paragraph ii. above. In such circumstances, any existing nomination or confirmation of the arbitrator chosen by the party or parties on the other side of the proposed arbitration shall be unaffected, and the remaining arbitrator(s) shall be appointed in accordance with the LCIA Rules.

(b) The third arbitrator and chairman of the arbitral tribunal shall be appointed by the LCIA Court in accordance with the LCIA Rules and applying the criteria at sub-paragraph ii. above.

(c) The seat, or legal place, of arbitration shall be London, England.

(d) The language to be used in the arbitration shall be English. This Section (1) shall be governed by English law.

(e) Without prejudice to any other mode of service allowed by law, Ecuador hereby appoints Law Debenture Corporate Services Limited, with its registered office at 5/F, 100 Wood Street, London EC2V 7EX (the "Authorized Agent") as its agent under the New Securities for service of process in relation to any proceedings before the English courts in relation to any arbitration contemplated by this Section (1) or in relation to recognition or enforcement of any such arbitral award obtained in accordance with this Section (1).

If the Authorized Agent is unable to act for any reason as Ecuador's agent under the New Securities of a series for the service of process, Ecuador must immediately (and in any event within ten (10) days of the event taking place) appoint another agent (a "Replacement Agent") on terms acceptable to the trustee.

Ecuador agrees that failure by the Process Agent or, as applicable, a Replacement Agent, to notify Ecuador of the process shall not invalidate the proceedings concerned.

(2) Jurisdiction of Disputes between the Trustee and the Holders Only:

Any Dispute between the trustee and any holders or holders only, and where Ecuador is not a party, claimant, respondent or otherwise is necessary thereto, shall be subject to the non-exclusive jurisdiction of any New York state or United States federal court sitting in the Borough of Manhattan, the City of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to the New Securities of a series, and the trustee and the holders hereby irrevocably submit to such jurisdiction and agree that all claims in respect of such Dispute may be heard and determined in such New York state or United States federal court.

(3) Scope of Immunity:

The execution and delivery of the New Securities by Ecuador constitutes, and Ecuador's performance of and compliance with its obligations shall constitute an act of commercial public credit as provided under the laws of Ecuador. To the extent permitted by law, Ecuador irrevocably and unconditionally agrees that:

(a) Ecuador submits to the jurisdiction of any Ecuadorian court and to any legal process in Ecuador's courts (other than attachment proceedings prior to recognition or enforcement of an arbitral award), in connection with the enforcement of an arbitral award obtained in accordance with Section (1), except with respect to the Immune Property, which shall be entitled to immunity from enforcement in accordance with mandatory provisions of the laws of Ecuador;

(b) Ecuador submits to the jurisdiction of any court outside Ecuador and to any legal process, orders or other measures in courts outside Ecuador, whether through service or notice, attachment in aid of execution, execution against property of any sort, actions in rem or the grant of injunctions or specific performance, in connection with the enforcement of an arbitral award obtained in accordance with Section (1), except with respect to the Immune Property, which shall be immune to the fullest extent;

(c) Ecuador undertakes not to invoke any defense on the basis of any kind of immunity, for itself and/or its assets which do not constitute Immune Property in respect of any of the foregoing legal actions or proceedings; and

(d) Ecuador submits to the jurisdiction of the English courts in connection with any proceedings invoking the supervisory jurisdiction of those courts in relation to an arbitration conducted pursuant to Section (1).

The levy of execution on assets of Ecuador within the territory of Ecuador shall be carried out in accordance with and under the laws of Ecuador.

Ecuador irrevocably waives, to the fullest extent permitted by law, any requirement or provision of law that requires the posting of a bond or other security as a condition to the institution, prosecution or completion of any action or proceeding.

An arbitral award obtained in accordance with Section (1) shall be conclusive and may be enforced in any jurisdiction in accordance with the New York Convention or in any other manner provided for by law.

"Immune Property", in accordance with the provisions of the law of Ecuador, means:

i. any property which is used or designated for use in the performance of the functions of the diplomatic mission of Ecuador or its consular posts

ii. aircraft, naval vessels and other property of a military character or used or designated for use in the performance of military functions;

iii. property forming part of the cultural heritage of Ecuador or part of its archives;

iv. unexploited natural non-renewable resources in Ecuador;

v. funds managed in the national Treasury Account;

vi. assets and resources comprising available monetary reserves of Ecuador;

vii. public domain assets used for providing public services in Ecuador;

viii. national assets located in the territory of Ecuador and belonging to Ecuador, such as streets, bridges, roads, squares, beaches, sea and land located over 4,500 meters above sea level;

ix. accounts of the Banco Central, whether they are held abroad or locally; and

x. public entities' deposits with the Banco Central, whether they are maintained abroad or locally.

"New York Convention" means the New York Convention on the Recognition and Enforcement of Arbitral Awards 1958.

The provisions of this Section (1) have been negotiated and agreed solely with respect to the transactions described in this Indenture. In no event shall the definition or scope of Immune Property described in this section be relied upon, utilized, admitted as evidence in any proceeding or construed by any third party (including any court, arbitrator or arbitral tribunal) to interpret any analogous provisions of any other agreement or instrument unrelated to the transactions contemplated in this or relating to any other indebtedness of Ecuador.

Currency Indemnity

The obligation of Ecuador to any holder under the New Securities will be discharged only to the extent that the holder may purchase U.S. Dollars with any other currency paid to that holder in accordance with any judgment or otherwise. If the holder cannot purchase U.S. Dollars in the amount originally to be paid, Ecuador agrees, as a separate obligation and notwithstanding any such judgment, to pay the difference. The holder, however, agrees that, if the amount of the U.S. Dollars purchased exceeds the amount originally to be paid to such holder, the holder will reimburse the excess to Ecuador. The holder, however, will not be obligated to make this reimbursement if Ecuador is in default of its obligations under the New Securities.

Concerning the Trustee

The New Indenture contains provisions relating to the obligations and duties of the trustee, to the indemnification of the trustee and to the trustee's rights, protections, exculpations, defenses and relief from

responsibility for actions that it takes or fails to take. The trustee is entitled to enter into business transactions with Ecuador or any of its affiliates without accounting for any profit resulting from such transactions.

Defined Terms

The following are certain definitions used in the New Securities:

"Banco Central" means the Banco Central de la República del Ecuador.

"Domestic Indebtedness" means all Indebtedness (other than the Debt Securities) that is (i) issued pursuant to agreements or evidenced by instruments that expressly submit the resolution of all disputes to the exclusive jurisdiction of the courts of Ecuador or (ii) governed by Ecuadorian law.

"Ecuadorian Authorization" means any approval, authorization, permit, consent, exemption or license or other action of or by, and any notice to or filing with, any Governmental authority, agency, regulatory or administrative body of Ecuador or of any Ecuadorian political subdivision.

"Excluded Indebtedness" means the following Series of securities issued by Ecuador:

- the 12 per cent. U.S. Dollar Denominated Global Bonds due 2012;
- the U.S. Dollar Denominated Step-up Global Bonds due 2030; and
- any Existing Bonds and the related Existing Indenture; *provided* that the Republic's 7.250% Notes due January 30, 2035 shall not be deemed to be Excluded Indebtedness if such series of Existing Bonds is amended after the date of the New Indenture with respect to any cross-default provision in accordance with a definitive consent solicitation transaction reflecting the Republic's debt reprofiling plans.

"Existing Bonds" shall mean the following debt series issued by Ecuador, as amended from time to time:

Title of Security	ISIN / Common Code
10.750% Notes due March 28, 2022	XS1458516967; XS1458514673 / 145851696; 145851467
8.750% Notes due June 2, 2023	XS1626768656; XS1626768730 / 162676865; 162676873
7.950% Notes due June 20, 2024	XS1080331181; XS1080330704 / 108033118;108033070
7.875% Notes due March 27, 2025	XS2058848826; XS2058845210 / 205884882; 205884521
9.650% Notes due December 13, 2026	XS1535072109; XS1535071986 / 153507210; 153507198
9.625% Notes due June 2, 2027	XS1626529157; XS1626530320 / 162652915; 162653032
8.875% Notes due October 23, 2027	XS1707041429; XS1707041262 / 170704142; 170704126
7.875% Notes due January 23, 2028	XS1755432363; XS1755429732 / 175543236; 175542973
10.750% Notes due January 31, 2029	XS1929377015; XS1929376710 / 192937701; 192937671
9.500% Notes due March 27, 2030	XS2058866307; XS2058864948 / 205886630; 205886494
7.250% Notes due January 30, 2035	XS2107382405 / XS2107382157

"Existing Indenture" means any of the following: trust indentures representing the "Existing Bonds," dated as of June 20, 2014, July 28, 2016, December 13, 2016, June 2, 2017, October 23, 2017, January 23, 2018, January 31, 2019, September 27, 2019, and January 30, 2020 (each as amended from time to time).

"External Indebtedness" means all Indebtedness that is not (i) issued pursuant to agreements or evidenced by instruments that expressly submit the resolution of all disputes to the exclusive jurisdiction of the courts of Ecuador or (ii) governed by Ecuadorian law.

"Indebtedness" means for any person (a) all indebtedness of or guaranteed by such person for or in connection with borrowed money, and (b) all obligations of or guaranteed by such person (other than those specified

in sub-paragraph (a) above) evidenced by debt securities, debentures, notes or other similar instruments; **provided that** Indebtedness shall not include commercial agreements not having the commercial effect of a borrowing

"Lien" means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or preferential arrangement which has the practical effect of constituting a security interest with respect to the payment of any obligations with or from the proceeds of any assets or revenues of any kind.

"Permitted Liens" means:

- any Lien on property to secure External Indebtedness arising in the ordinary course of business to finance export, import or other trade transactions, which matures (after giving effect to renewals and refinancings) no more than one year after it was originally incurred;

- any Lien upon property to secure the purchase price of such property or to secure any External Indebtedness incurred solely for the purpose of financing the acquisition of such property;

- any Lien on property arising by operation of law (or pursuant to any agreement establishing a Lien equivalent to one which would otherwise exist under relevant local law), including without limitation any right of set-off with respect to demand or time deposits with financial institutions and bankers' liens with respect to property held by financial institutions (in each case deposited with or delivered to such financial institutions in the ordinary course of the depositor's activities);

- any Lien existing on such property at the time of its acquisition;

- any Lien in existence as of the date of issuance of the New Securities;

- any Lien securing External Indebtedness issued upon surrender or cancellation of the principal amount of any of the Excluded Indebtedness, as defined below, to the extent the Lien is created to secure the External Indebtedness;

- any Lien created in connection with any Project Financing, as defined below, *provided that* the properties to which any such Lien applies are solely with respect to (A) properties which are the subject of such Project Financing or (B) revenues or claims which arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such properties;

- additional Liens created in any calendar year upon assets, revenues or receivables of Ecuador having, when encumbered, a fair market value not exceeding an aggregate amount equal to U.S.$50,000,000 (or its equivalent in any other currency or currencies) to collateralize, or to purchase collateral, guarantees or other credit support in respect of, new borrowings by Ecuador, *provided that* to the extent U.S.$50,000,000 (or its equivalent in any other currency or currencies) exceeds such aggregate fair market value of such assets, revenues or receivables so encumbered in such calendar year, the aggregate fair market value of such assets, revenues and receivables permitted to be encumbered hereby in subsequent calendar years shall be increased by such excess amount; *provided, however*, that in no event shall the fair market value of such assets, revenues or receivables so encumbered in any calendar year exceed an aggregate amount equal to U.S.$150,000,000 (or its equivalent in any other currency or currencies); and

- any renewal or extension of any of the Liens described above; *provided that* no renewal or extension of any permitted Lien shall (A) extend to or cover any property other than the property then subject to the Lien being extended or renewed or (B) increase the amount of financing secured by that Lien.

"Project Financing" means any financing of all or part of the costs of the acquisition, construction or development of any properties in connection with a project if the person or persons providing such financing

expressly agree to look to the properties financed and the revenues to be generated by the operation of, or loss of or damage to, such properties as the principal source of repayment for the moneys advanced.

"Republic Aggregate Debt Information" shall mean the following data as of the end of each calendar year: (a) total aggregate External Indebtedness, External Indebtedness of the central government and the aggregate External Indebtedness of the public sector instrumentality, each expressed as an amount in millions of Dollars; (b) External Indebtedness by type of creditor, including official sector and commercial bank creditor and bonds, each expressed as an amount in millions of Dollars; (c) External Indebtedness as a percentage of nominal GDP; (d) and (d) a summary of total aggregate Domestic Indebtedness **provided that**, for the avoidance of doubt the Republic Aggregate Debt Information shall not include disaggregated data of public sector entities or geographic subdivisions of Ecuador.

"Treasury Account" means the account established under Article 299 of Ecuador's 2008 Constitution.

BOOK-ENTRY, DELIVERY AND FORM

Global Notes

The New Securities will initially be issued in the form of three registered notes in global form ("**Global Notes**"), without interest coupons, as follows:

- New Securities delivered to "qualified institutional buyers" as defined under Rule 144A of the Securities Act will be represented by one or more Global Notes (the "**QIB Restricted Global Notes**");

- New Securities delivered to an "accredited investor" within the definition of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act ("institutional accredited investor")) will be represented by one or more Global Notes (the "**IAI Restricted Global Notes**" and, together with the QIB Restricted Global Notes, the "**Restricted Notes**");

- New Securities delivered to persons outside the United States in reliance on Regulation S will be represented by one or more Global Notes (the "**Regulation S Global Note**").

Upon issuance, the Global Notes will be deposited with a common depositary and registered in the nominee name of the common depositary for Euroclear and Clearstream.

Ownership of beneficial interests in each Global Note will be limited to persons who are either Euroclear Participants or Clearstream Participants or to persons who hold interests through Euroclear Participants or Clearstream Participants. The Republic expects that under procedures established by Euroclear or Clearstream, as applicable:

- upon deposit of each Global Note with the common depositary, Euroclear or Clearstream will credit portions of the principal amount of the Global Note to the accounts of the Euroclear Participant or Clearstream Participant; and

- ownership of beneficial interests in each Global Note will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by Euroclear (with respect to interests of Euroclear Participants) or Clearstream (with respect to interests of Clearstream Participants) and the records of Euroclear Participants or Clearstream Participants (with respect to other owners of beneficial interests in each Global Note).

Investors may hold their interests in the Regulation S Global Note directly through Euroclear or Clearstream, Luxembourg, if they are participants in those systems, or indirectly through organizations that are participants in those systems. Investors may also hold their interests in the Regulation S Global Note through organizations other than Euroclear or Clearstream, Luxembourg, that are Euroclear Participants or Clearstream Participants. The Bank of New York Mellon, London Branch will act as the common depositary for the interests in the Regulation S Global Note.

Beneficial interests in the Global Notes may not be exchanged for notes in definitive form except in the limited circumstances described below.

Each Global Note and beneficial interests in each Global Note will be subject to restrictions on transfer as described under "*Transfer Restrictions.*"

Exchanges among the Global Notes

Beneficial interests in one Global Note may generally be exchanged for interests in another Global Note. Depending on which Global Note the transfer is being made, the Republic or the Trustee may require the seller to provide certain written certifications in the form provided in the New Indenture.

In addition, in the case of a transfer of interests to an IAI Restricted Global Note, the Trustee may require the transferee to deliver a representation letter (in the form provided in the New Indenture) that states, among other things, that the transferee is not acquiring New Securities with a view to distributing them in violation of the Securities Act. Further, if such transfer is in respect of an aggregate principal amount of New Securities less than $250,000, the Trustee may require an opinion of counsel acceptable to the Republic and the Trustee that such transfer is in compliance with the Securities Act.

A beneficial interest in a Global Note that is transferred to a person who takes delivery through another Global Note will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other Global Note.

Book-Entry Procedures for the Global Notes

All interests in the Global Notes will be subject to the operations and procedures of Euroclear and, if applicable, Clearstream, Luxembourg. The Republic provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of the Republic, the Dealer Manager the Trustee, or any agent is responsible for those operations or procedures.

Euroclear was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. Euroclear's participants include securities brokers and dealers; banks and trust companies; clearing corporations; and other organizations. Indirect access to Euroclear's system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly. Investors who are not Euroclear participants may beneficially own securities held by or on behalf of Euroclear only through Euroclear participants or indirect participants in Euroclear.

So long as the depositary is the registered owner of a Global Note, that depositary will be considered the sole owner or holder of the New Securities represented by that Global Note for all purposes under the New Indenture. Except as provided below, owners of beneficial interests in a Global Note:

- will not be entitled to have New Securities represented by the Global Note registered in their names;
- will not receive or be entitled to receive Certificated Securities; and
- will not be considered the owners or holders of the New Securities under the New Indenture for any purpose; *provided* that in connection with the exercise of rights of, or the taking of any action by, Holders under the New Indenture, the Republic shall give effect to the certification of any holder of beneficial interests in a Debt Security that may be required of such holder in the Trustee's sole discretion, and on submission of such documentation, the Republic shall deem such beneficial owner to have the rights of a Holder under the New Indenture including with respect to the giving of any direction, instruction or approval to the Trustee under the New Indenture.

Payments of principal and interest with respect to the New Securities represented by a Global Note will be made by the Trustee to the common depositary as the registered holder of the Global Note. Neither the Republic nor the Trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a Global Note, for any aspect of the records relating to or payments made on account of those interests by Euroclear or for maintaining, supervising or reviewing any records of Euroclear relating to those interests.

Payments by participants and indirect participants in Euroclear to the owners of beneficial interests in a Global Note will be governed by standing instructions and customary industry practice and will be the responsibility of those participants or indirect participants and Euroclear.

Transfers between participants in Euroclear will be effected under Euroclear's procedures and will be settled in same-day funds. Transfers between participants in Clearstream, Luxembourg will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers between Euroclear participants, on the one hand, and participants in Clearstream, Luxembourg, on the other hand, will be effected within Euroclear through the Euroclear participants that are acting as depositaries for Clearstream, Luxembourg. To deliver or receive an interest in a Global Note held in a Clearstream, Luxembourg account, an investor must send transfer instructions to Clearstream, Luxembourg, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Clearstream, Luxembourg, as the case may be, will send instructions to its Euroclear depositary to take action to effect final settlement by delivering or receiving interests in the relevant Global Notes in Euroclear, and making or receiving payment under normal procedures for same-day funds settlement applicable to Euroclear. Clearstream, Luxembourg participants may not deliver instructions directly to the Euroclear depositaries that are acting for Clearstream, Luxembourg.

Euroclear and Clearstream, Luxembourg have agreed to the above procedures to facilitate transfers of interests in the Global Notes among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. Neither the Republic nor the Trustee nor any paying agent will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

Certificated Securities

New Securities in certificated form will be issued and delivered to each person that Euroclear or Clearstream identifies as a beneficial owner of the related Notes only if:

- the depositary notifies the Republic at any time that it is unwilling or unable to continue as depositary for the Global Notes and a successor depositary is not appointed within 90 days;

- Euroclear or Clearstream ceases to be registered as a clearing agency under the U.S. Securities Exchange Act of 1934 and a successor depositary is not appointed within 90 days; or

- Following an event of default, the Trustee receives a notice from or on behalf of the registered holder of the Global Note requesting exchange of a specified amount for individual definitive note certificates.

In addition, beneficial interests in a Global Note may be exchanged for Certificated Securities upon prior written notice given to the Trustee in accordance with the New Indenture.

TAXATION

The following discussion summarizes certain Ecuadorian and U.S. federal income tax considerations of the Invitation that may be relevant to you if you hold Eligible Bonds. This summary is based on laws and regulations in effect in the Republic of Ecuador and laws, regulations, rulings and decisions now in effect in the United States and may change. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax adviser about the tax consequences of holding New Securities, including the relevance to your particular situation of the considerations discussed below, as well as of state, local or other tax laws.

Ecuadorian Taxation

The following discussion summarizes certain aspects of Ecuadorian taxation that may be relevant to you if you are a holder of debt securities who is an individual that is a non-resident of Ecuador or a legal entity that is neither organized in, nor maintains a permanent establishment in Ecuador (a "**Non-Resident Holder**"). This summary may also be relevant to you if you are a Non-Resident Holder in connection with the holding and disposition of the debt securities. The summary is based on Ecuadorian laws, rules and regulations now in effect, all of which may change.

This summary is not intended to constitute a complete analysis of the tax consequences under Ecuadorian law of the receipt, ownership or disposition of the debt securities, in each case if you are a non-resident of Ecuador, nor to describe any of the tax consequences that may be applicable to you if you are a resident of Ecuador.

All payments of principal and interest for the New Securities pursuant to an Invitation to Exchange and accepted by the Republic, and any gains made by a holder from such exchange, will be exempt from any Ecuadorian income tax, including withholding tax, if the holder is a foreign holder, i.e.:

- The holder is an individual and is not resident in the Republic for tax purposes; or
- The holder is a non-Ecuadorian entity that does not hold the New Securities pursuant to an Invitation to Exchange through a permanent establishment or fixed base in the Republic.

There are no Ecuadorian stamp, registration or similar taxes payable by a foreign holder in connection with offers of New Securities pursuant to an Invitation to Exchange.

U.S. Federal Income Tax Consequences

The following discussion summarizes certain material U.S. federal income tax consequences of the Invitation to you as a U.S. Holder and does not apply to holders that are not U.S. Holders except where specified. You are a "**U.S. Holde**r" if you are a beneficial owner of Eligible Bonds that is a citizen or resident of the United States or a domestic corporation or otherwise subject to U.S. federal income tax on a net income basis in respect of Eligible Bonds and New Securities or Modified Eligible Bonds received pursuant to the Invitation. This summary does not purport to be a comprehensive description of all of the tax consequences that may be relevant to your decision to participate in the Invitation, including tax consequences that arise from rules of general application to all taxpayers or to certain classes of taxpayers. This summary does not address the tax consequences to (i) persons that may be subject to special treatment under U.S. federal income tax law, such as banks, insurance companies, thrift institutions, regulated investment companies, real estate investment trusts, tax-exempt organizations, traders in securities that elect to mark-to-market and dealers in securities or currencies, persons that hold Eligible Bonds or will hold New Securities or Modified Eligible Bonds as part of a position in a "straddle" or as part of a "hedging," "conversion" or other integrated investment transaction for U.S. federal income tax purposes, entities or arrangements taxed as partnerships or the partners therein, U.S. expatriates, nonresident alien individuals present in the United States for more than 182 days in a taxable year, or persons whose functional currency is not the U.S. dollar, (ii) persons that do not hold Eligible Bonds or will not hold New Securities or Modified Eligible Bonds as

capital assets or (iii) persons that do not acquire New Securities or Modified Eligible Bonds pursuant to the Invitation.

This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations promulgated thereunder, and administrative and judicial interpretations thereof, as of the date hereof, all of which are subject to change, possibly on a retroactive basis.

This summary addresses only U.S. federal income tax consequences, and does not address consequences arising under state, local, or foreign tax laws, the alternative minimum tax or the Medicare tax on net investment income. Investors should consult their own tax advisors in determining the tax consequences to them of the Invitation under such tax laws, as well as the application to their particular situation of the U.S. federal income tax considerations discussed below.

The Republic has not sought any ruling from the U.S. Internal Revenue Service (the "**IRS**") with respect to the statements made and the conclusions reached in this discussion, and there can be no assurance that the IRS will agree with all of such statements and conclusions.

Consequences to Consenting Holders of Receiving New Securities Pursuant to an Exchange Offer and to Non-Consenting Holders of Receiving Modified Eligible Bonds Pursuant to the Proposed Modifications

In General

The receipt by Eligible Holders who participate in an Exchange Offer ("consenting" holders) of New Securities pursuant to the Exchange Offer, and the receipt of any Modified Eligible Bonds pursuant to the Proposed Modifications by holders who do not participate in an Exchange Offer ("non-consenting" holders), will be a taxable event upon which gain or loss is realized for U.S. federal income tax purposes (a "**realization event**").

Under general principles of U.S. federal income tax law, a modification of the terms of a debt instrument (including an exchange of one debt instrument for another debt instrument having different terms) is a realization event only if the modification is "significant." A modification of a debt instrument that is not a significant modification does not create a realization event. Under applicable regulations, the modification of a debt instrument is a "significant" modification if, based on all the facts and circumstances and taking into account all modifications, other than certain specified modifications, the legal rights or obligations that are altered and the degree to which they are altered is "economically significant." The applicable regulations also provide specific rules to determine whether certain modifications, such as a change in the timing of payments or a change in the yield of a debt instrument, are significant. The receipt of New Securities by consenting holders pursuant to the Exchange Offer and the receipt of any Modified Eligible Bonds pursuant to the Proposed Modifications by non-consenting holders will be considered a significant modification of the Eligible Bonds, because a number of material substantive terms of the Eligible Bonds (*e.g.*, change in timing of payments, interest rate, yield or payment schedules) will change in a significant manner as a result of the exchange and the amendments.

Taxable Exchange

Based on the foregoing, and subject to the discussion below of accrued but unpaid interest on the Eligible Bonds and the rules for the market discount, a consenting U.S. Holder will recognize capital gain or loss upon the receipt of New Securities pursuant to the Exchange Offer, and a non-consenting U.S. Holder will recognize capital gain or loss upon the receipt of Modified Eligible Bonds pursuant to the Proposed Modifications, in each case in an amount equal to the difference between such U.S. Holder's amount realized and its adjusted tax basis in the Eligible Bonds tendered or amended at the time of the consummation of the Exchange Offer or the effectiveness of the Proposed Modifications (as applicable). A U.S. Holder's adjusted tax basis in an Eligible Bond generally will equal the U.S. dollar value of the amount paid therefor, increased by the amount of any market discount or original issue discount previously taken into account and reduced by the amount of any amortizable bond premium previously amortized with respect to the Eligible Bond and by any payments other than payments of stated interest. A consenting U.S. Holder's amount realized will be equal to the issue price of the New Securities it receives in the Exchange Offer, and a non-consenting U.S. Holder's amount realized will be equal to the issue price of any

Modified Eligible Bonds it receives in the Proposed Modifications (determined for each New Security or Modified Eligible Bond as described below under "*—Issue Price of New Securities and Modified Eligible Bonds*"). Any such capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period for the Eligible Bonds at the time of the consummation of the Exchange Offer or the effectiveness Proposed Modifications (as applicable) is more than one year.

Consenting Eligible Holders who tender their Eligible Bonds in an Exchange Offer will receive New PDI 2030 Bonds in respect of accrued and unpaid interest on a tendered Eligible Bond. If you are a consenting U.S. Holder, the fair market value of any New PDI 2030 Bonds so received will be taxable to you as ordinary interest income. However, it is not entirely clear whether the receipt of New Securities other than the New PDI 2030 Bonds pursuant to an Exchange Offer would be treated under U.S. Treasury regulations as a payment of any remaining accrued but unpaid interest on the Eligible Bonds. Similarly, if you are a non-consenting U.S. Holder and receive Modified Eligible Bonds pursuant to the Proposed Modifications, it is not entirely clear whether the receipt of a portion of the Modified Eligible Bonds would be treated under those regulations as a payment of accrued but unpaid interest. Any portion of the New Securities or Modified Eligible Bonds so treated would be taxable as ordinary interest income and would be excluded from the calculation of gain or loss upon the receipt of New Securities by consenting U.S. Holders pursuant to an Exchange Offer or the receipt of Modified Eligible Bonds by non-consenting U.S. Holders pursuant to the Proposed Modifications. Although the remainder of this discussion assumes that no portion of the New Securities other than the New PDI 2030 Bonds will be treated as received in respect of accrued but unpaid interest on the Eligible Bonds, it is possible that the IRS could disagree with this position. You should consult your own tax advisors regarding the treatment of accrued but unpaid interest on your Eligible Bonds.

In general, if a U.S. Holder acquired Eligible Bonds with market discount, any gain that a consenting U.S. Holder recognizes with respect to such Eligible Bonds upon receipt of New Securities in an Exchange Offer, and any gain that a non-consenting U.S. Holder recognizes with respect to such Eligible Bonds upon receipt of any Modified Eligible Bonds in the Proposed Modifications, will be treated as ordinary income to the extent of the portion of the market discount that has accrued while such U.S. Holder held such Eligible Bonds, unless the U.S. Holder has elected to include market discount in income currently as it accrues. A U.S. Holder will have acquired an Eligible Bond with market discount for U.S. federal income tax purposes if it acquired the Eligible Bond other than at its original issue price with a tax basis that was lower than its "stated redemption price at maturity" (as defined below under "*—Original Issue Discount"*) at the time of acquisition, unless a statutorily defined *de minimis* exception applied.

A consenting U.S. Holder's initial tax basis in a New Security received in an Exchange Offer, and a non-consenting U.S. Holder's initial tax basis in any Modified Eligible Bonds received pursuant to the Proposed Modifications, will in each case be equal to the new bond's issue price (determined as described under "*—Issue Price of New Securities or Modified Eligible Bonds*" below). A U.S. Holder's holding period with respect to such New Securities or Modified Eligible Bonds will begin the day following the consummation of the Exchange Offer or the effectiveness of the Proposed Modifications (as applicable).

Issue Price of New Securities or Modified Eligible Bonds

As discussed above under "*—Consequences To Consenting Holders of Receiving New Securities Pursuant to an Exchange Offer and to Non-Consenting Holders Receiving Modified Eligible Bonds Pursuant to the Proposed Modifications— Taxable Exchange*," the amount you realize with respect to your tender of Eligible Bonds in an Exchange Offer (in the case of consenting U.S. Holders) or the effectiveness of the Proposed Modifications (in the case of non-consenting U.S. Holders) will be determined by reference to the issue price of the New Securities or Modified Eligible Bonds received therefor (respectively). Your initial tax basis in the New Securities or Modified Eligible Bonds will also be determined by reference to their issue price.

The issue price of a New Security issued to a consenting holder in an Exchange Offer or any Modified Eligible Bonds issued to a non-consenting holder pursuant to the Proposed Modifications generally will be equal to the fair market value of the New Security or Modified Eligible Bond, determined as of the date of the consummation of the Exchange Offer or the effectiveness of the Proposed Modifications (as applicable), if a substantial amount of the New Securities or the Modified Eligible Bonds of the relevant series is "traded on an established market" for U.S. federal income tax purposes. Debt instruments are considered to be traded on an established market if, at any

time during the 31-day period ending 15 days after the date of the exchange or effectiveness of the Proposed Modifications there is a sales price for the debt or there are one or more firm or indicative quotes for the debt instrument. If no substantial amount of a series of New Securities or the Modified Eligible Bonds (as applicable) is "traded on an established market," but the Eligible Bonds tendered for such New Securities in an Exchange Offer (in the case of consenting holders) or amended into Modified Eligible Bonds pursuant to the Proposed Modifications (in the case of non-consenting holders) are so traded, the issue price of that series of New Securities or the Modified Eligible Bonds (as applicable) will be the fair market value of such Eligible Bonds determined as of such date. The Republic expects that, for U.S. federal income tax purposes, each series of New Securities will be traded on an established market. Therefore, the Republic anticipates that the issue price of the New Securities will be determined by reference to their fair market values.

Consequences of Holding the New Securities or Modified Eligible Bonds

Book/Tax Conformity

U.S. holders that use an accrual method of accounting for tax purposes ("**accrual method holders**") generally are required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements (the "**book/tax conformity rule**"). The application of the book/tax conformity rule thus may require the accrual of income earlier than would be the case under the general tax rules described below. It is not entirely clear to what types of income the book/tax conformity rule applies, or, in some cases, how the rule is to be applied if it is applicable. However, proposed regulations generally would exclude, among other items, original issue discount and market discount (in either case, whether or not *de minimis*) from the applicability of the book/tax conformity rule. Although the proposed regulations generally will not be effective until taxable years beginning after the date on which they are issued in final form, taxpayers generally are permitted to elect to rely on their provisions currently. Accrual method holders should consult with their tax advisors regarding the potential applicability of the book/tax conformity rule to their particular situation.

New Securities or Modified Eligible Bonds

Qualified Stated Interest and Original Issue Discount

Payments or accruals of "qualified stated interest" on a New Security received by a consenting U.S. Holder in an Exchange Offer, or on any Modified Eligible Bond received by a non-consenting U.S. Holder pursuant to the Proposed Modifications, will be taxable to such U.S. Holder as ordinary interest income at the time it receives or accrues such amounts, in accordance with its regular method of tax accounting. For these purposes, "qualified stated interest" generally is defined as stated interest that is unconditionally payable in cash or property at least annually at a single fixed rate.

In addition, such New Securities and Modified Eligible Bonds will be issued with a significant amount of original issue discount ("**OID**") for U.S. federal income tax purposes. As discussed in more detail below, a U.S. Holder will be required to include OID on such New Securities or Modified Eligible Bonds in its gross income in advance of the receipt of cash payments on such bonds.

In general, the amount of OID with respect to a debt instrument is equal to the excess of (i) the "stated redemption price at maturity" of the debt instrument (which will equal the sum of all payments due under the debt instrument other than qualified stated interest), over (ii) the issue price of the debt instrument (which in the case of the New Securities and Modified Eligible Bonds, will be determined as discussed above under "*—Consequences to Consenting Holders of Receiving New Securities Pursuant to an Exchange Offer and to Non-Consenting Holders of Receiving Modified Eligible Bonds Pursuant to the Proposed Modifications—Issue Price of New Securities or Modified Eligible Bonds*"). The issue price of New Securities issued to consenting holders pursuant to an Exchange Offer and any Modified Eligible Bonds received by non-consenting holders pursuant to the Proposed Modifications is expected to be substantially less than its stated principal amount. In addition, the New Securities (other than the New PDI 2030 Bonds) and the Modified Eligible Bonds have stepped coupons, will accrue interest at an initial rate of 0.5%, and will not pay any stated interest until January 31, 2021. Because qualified stated interest is defined as stated interest that is unconditionally payable in cash or property at least annually at a single fixed rate, stated interest payable on such New Securities and Modified Eligible Bonds will be treated as qualified stated interest only

to the extent of the initial fixed rate. All payments or accruals of stated interest on such New Securities or Modified Eligible Bonds in excess of this initial fixed rate will be included in the stated redemption price at maturity of such New Securities or Modified Eligible Bonds, thereby increasing the amount of OID on such bonds.

In general, a consenting U.S. Holder that receives New Securities in an Exchange Offer, and a non-consenting U.S. Holder that receives Modified Eligible Bonds pursuant to the Proposed Modifications, will be required to include OID in gross income under a constant-yield method over the term of the New Securities or Modified Eligible Bonds (as the case may be) in advance of cash payments attributable to such income, regardless of whether it is a cash or accrual method taxpayer, and without regard to the timing or amount of any actual payments. Under this treatment, such U.S. Holders will include in ordinary gross income the sum of the "daily portions" of OID on the relevant bond for all days during the taxable year that such U.S. Holders own the relevant bond. The daily portions of OID on a bond are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. Accrual periods may be of any length and may vary in length over the term of the relevant bond, provided that no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period. The amount of OID on a bond allocable to each accrual period will be determined by multiplying the "adjusted issue price" (as defined below) of the relevant bond at the beginning of the accrual period by the "yield to maturity" (as defined below) of such bond.

The "adjusted issue price" of a bond at the beginning of any accrual period will generally be the sum of its issue price and the amount of OID allocable to all prior accrual periods, reduced by the amount of payments made on the bond, other than payments of qualified stated interest. The "yield to maturity" of a bond will be the discount rate (appropriately adjusted to reflect the length of accrual periods) that causes the present value of all payments on the bond, including any payments of principal payable prior to the maturity of the bond and any payments of qualified stated interest, to equal the issue price of such bond.

All payments on a New Security or Modified Eligible Bond other than payments of qualified stated interest will generally be viewed first as payments of previously accrued OID to the extent thereof, with payments attributed first to the earliest-accrued OID, and then as payments of principal.

Sale, Exchange, Retirement or Other Taxable Disposition of New Securities or Modified Eligible Bonds

A consenting U.S. Holder's initial tax basis in a New Security received in an Exchange Offer, and a non-consenting U.S. Holder's initial tax basis in any Modified Eligible Bonds received pursuant to the Proposed Modifications, determined as described above under "*—Consequences to Consenting Holders of Receiving New Securities Pursuant to an Exchange Offer and to Non-Consenting Holders of Receiving Modified Eligible Bonds Pursuant to the Proposed Modifications—Issue Price of New Securities or Modified Eligible Bonds*," will be increased over time by the amount of OID included in its gross income and decreased by the amount of payments (other than payments of qualified stated interest) on the New Securities or Modified Eligible Bonds (as applicable), including payments of stated interest (other than qualified stated interest) and any amortization payments.

Such U.S. Holders generally will recognize gain or loss on the sale, exchange, retirement (including for purposes of this discussion, the receipt of any payment treated as principal as described above under "*—Original Issue Discount*") or other taxable disposition of a New Security or Modified Eligible Bond in an amount equal to the difference between the amount they realize on such disposition and their tax basis in the New Security or Modified Eligible Bond. The gain or loss that such U.S. Holders recognize on the disposition generally will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder has held the New Security or Modified Eligible Bond for more than one year on the date of disposition.

Consequences if the Proposed Modifications Are Not Successful With Respect to your Eligible Bonds and You Do Not Participate in an Exchange Offer

If the Proposed Modifications are not successful with respect to your Eligible Bonds, and you do not exchange your Eligible Bonds for New Securities in an Exchange Offer, the Invitation generally will not affect the U.S. federal income tax treatment of your Eligible Bonds.

Foreign Financial Asset Reporting

Individual U.S. Holders that own "specified foreign financial assets" with an aggregate value in excess of $50,000 on the last day of the taxable year or $75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which may include Eligible Bonds and New Securities or Modified Eligible Bonds issued in certificated form) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. Holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisors concerning the application of these rules, including the application of the rules to their particular circumstances.

Backup Withholding and Information Reporting

Information returns generally will be filed with the IRS in connection with the accrual of OID or interest on the New Securities or Modified Eligible Bonds by, and the proceeds of dispositions of New Securities or Modified Eligible Bonds effected by, certain U.S. taxpayers. In addition, certain U.S. taxpayers may be subject to backup withholding in respect of such amounts if they do not provide their taxpayer identification numbers to the person from whom they receive payments. Non-U.S. taxpayers may be required to comply with applicable certification procedures to establish that they are not U.S. taxpayers in order to avoid the application of such information reporting requirements and backup withholding. The amount of any backup withholding from a payment to a holder will be allowed as a credit against the holder or beneficial owner's U.S. federal income tax liability and may entitle the holder or beneficial owner to a refund, provided that the required information is timely furnished to the IRS.

DEALER MANAGER

We have entered into a dealer manager agreement (the "**Dealer Manager Agreement**") with Citigroup Global Markets Inc., as the exclusive solicitation agent and dealer manager for the Invitation (the "**Dealer Manager**"). Pursuant to the Dealer Manager Agreement, we have:

- retained the Dealer Manager to act, directly or through affiliates, on our behalf as the exclusive solicitation agent and dealer manager in connection with the Invitation,
- agreed to pay a customary fee for soliciting acceptances of the Invitation to Exchange and consents to the Proposed Modifications,
- agreed to reimburse the Dealer Manager for certain expenses in connection with the Invitation, and
- agreed to indemnify the Dealer Manager against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Dealer Manager may be required to make because of those liabilities.

The Dealer Manager Agreement contains various other representations, warranties, covenants and conditions customary for agreements of this sort. To the extent that solicitations are required to be made in any jurisdiction by persons licensed or registered in such jurisdictions, such solicitations may be effected by affiliates of the Dealer Manager that are registered or licensed in such jurisdictions.

The Dealer Manager is not obligated to make a market for the New Securities. The Dealer Manager may deliver Consent and Tender Orders in the Invitation and may resell any New Securities from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices to be determined at the time of sale.

The Dealer Manager and its affiliates have provided, and expect to provide in the future, financial advisory, investment banking and general banking services to the Republic and its governmental agencies and instrumentalities, for which it has received and expects to receive customary fees and commission. The Dealer Manager and its affiliates may, from time to time, engage in transactions with and perform services for the Republic in the ordinary course of business.

At any given time, the Dealer Manager or its respective affiliates may trade the Eligible Bonds, the New Securities or other debt securities of the Republic for their own accounts or for the accounts of customers and may accordingly hold a long or short position in the Eligible Bonds, the New Securities or other securities of the Republic. In addition, in the ordinary course of their business activities, the Dealer Manager and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Republic or its affiliates. If the Dealer Manager or its respective affiliates has a lending relationship with the Republic, the Dealer Manager or its respective affiliates routinely hedge or may hedge, their credit exposure to the Republic consistent with their customary risk management policies. Typically, the Dealer Manager and its respective affiliates would hedge such exposures by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Republic's securities. Any such credit default swaps or short positions could adversely affect future trading prices of the Republic's securities. The Dealer Manager and its respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

TRANSFER RESTRICTIONS

None of the Modified Eligible Bonds or the New Securities have been or will be registered under the Securities Act and they may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the New Securities are being offered and sold only (a) in the United States to holders of Eligible Bonds who are "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) (each a "**QIB**"), (b) in the United States to Holders of Eligible Bonds who are "accredited investors" within the definition of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act (each an "Institutional Accredited Investor" or "IAI") and (c) outside the United States to Holders that (y) if located within a member state of the EEA or in the UK, are "qualified investors" as defined in the Prospectus Regulation or a duly designated proxy thereof, and (z) if located outside the EEA or the UK, are eligible to receive this Invitation under the laws of its jurisdiction. As used herein, the term "**United States**" has the meaning given to it in Regulation S.

The distribution of this invitation memorandum is restricted by law in certain jurisdictions. Persons into whose possession this invitation memorandum comes are required by the Republic to inform themselves of and to observe any of these restrictions.

This invitation memorandum does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorized or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation. None of the Republic, the Dealer Manager or the Information, Tabulation Agent accepts any responsibility for any violation by any person of the restrictions applicable in any jurisdiction.

The New Securities will be subject to the following restrictions on transfer. Holders of New Securities are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of their New Securities.

If a Tender Order is delivered in respect of any Eligible Bonds that you beneficially own, you will be deemed to have made the following acknowledgments, representations to and agreements with the Republic:

1. You acknowledge that:

   a. the New Securities have not been registered under the Securities Act or the securities laws of any other jurisdiction and are being offered for resale in transactions that do not require registration under the Securities Act or the securities laws of any other jurisdiction; and

   b. unless so registered, the New Securities may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth below;

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of the Republic and you are not acting on behalf of the Republic and that either:

   a. you are a QIB that is participating in the Invitation for your own account or for the account of another QIB;

   b. you are an IAI that is participating in the Invitation for your own account or for the account of another IAI; or

   c. you are located outside of the United States and are participating in the Invitation in reliance on Regulation S under the Securities Act;

3. You represent that, if you are in any EEA Member State or in the UK, you are a "qualified investor" as defined in the Prospectus Regulation;

4. You represent that, if you are located in the UK, you are a relevant person (as this term is defined in "Notice to Prospective Investors in the United Kingdom");

5. You agree on your own behalf and on behalf of any investor account for which you are delivering a Consent and/or Tender Order, and each subsequent holder of Modified Eligible Bonds and New Securities by its acceptance of Modified Eligible Bonds and New Securities will agree, that the Modified Eligible Bonds and New Securities may be offered, sold or otherwise transferred only:

a. to the Republic;

b. inside the United States to (i) a QIB in compliance with Rule 144A under the Securities Act, or (ii) an IAI in reliance of Regulation D;

c. outside the United States in compliance with Rule 903 or 904 under the Securities Act;

d. pursuant to a registration statement that has been declared effective under the Securities Act;

e. in any other jurisdiction in compliance with local securities laws;

6. You acknowledge that the Republic and the Trustee reserve the right to require, in connection with any offer, sale or other transfer of New Securities, the delivery of written certifications and/or other information satisfactory to the Republic and the trustee as to compliance with the transfer restrictions referred to above;

7. You agree to deliver to each person to whom you transfer New Securities notice of any restrictions on transfer of such New Securities;

8. You acknowledge that each New Security delivered to any QIB or IAI will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT [*include only in New Securities delivered to QIBs*] PROVIDED BY RULE 144A THEREUNDER.

THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) TO AN "ACCREDITED INVESTOR" WITHIN THE DEFINITION OF RULE 501(A)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT THAT PRIOR TO SUCH TRANSFER FURNISHES THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE TRANSFER OF THE SECURITY, AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF THE SECURITY LESS THAN $250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE REPUBLIC AND THE TRUSTEE THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT), (3) OUTSIDE THE UNITED STATES PURSUANT TO THE TERMS AND CONDITIONS OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

THIS SECURITY AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTISES RELATING TO THE RESALE OR TRANSFER

OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED BY THE ACCEPTANCE OF THIS SECURITY TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

THIS LEGEND CAN ONLY BE REMOVED AT THE OPTION AND DIRECTION OF THE REPUBLIC.

9. You acknowledge that the Republic and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements. You agree that if any of the acknowledgments, representations or warranties deemed to have been made by the delivery of a Tender Order in respect of any Eligible Bonds beneficially owned by you is no longer accurate, you shall promptly notify the Republic and the Information, Tabulation and Exchange Agent. If you are delivering a Tender Order as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the foregoing acknowledgments, representations, warranties and agreements on behalf of each account.

JURISDICTIONAL RESTRICTIONS

The distribution of this invitation memorandum and the transactions contemplated by it may be restricted by law in certain jurisdictions. Persons into whose possession such materials come are required to inform themselves of and to observe any of these restrictions.

This invitation memorandum does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorized or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation.

In any jurisdiction in which the Invitation is required to be made by a licensed broker or dealer and in which the Dealer Manager or any affiliate thereof is so licensed, it shall be deemed to be made by the that Dealer Manager or its respective affiliate on behalf of us.

If you are not a resident of one of the jurisdictions listed below, you should contact the Dealer Manager to request assistance.

United States

See transfer restrictions set forth under "*Transfer Restrictions*."

European Economic Area and United Kingdom

This invitation memorandum has been prepared on the basis that any offer of New Securities in any Member State of the EEA or the UK will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of New Securities. Accordingly any person making or intending to make an offer in that Member State of New Securities which are the subject of the offering contemplated in this invitation memorandum may only do so to legal entities which are qualified investors as defined in the Prospectus Regulation, provided that no such offer of New Securities shall require the Issuer or the Dealer Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation in relation to such offer.

Neither the Issuer nor the Dealer Manager has authorized, nor do they authorize, the making of any offer of New Securities to any legal entity which is not a qualified investor as defined in the Prospectus Regulation. Neither the Republic nor the Dealer Manager have authorized, nor do they authorize, the making of any offer of New Securities through any financial intermediary. The expression "Prospectus Regulation" means Regulation (EU) 2017/1129 (as amended or superseded) and, in relation to the UK, includes that Regulation as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

New Securities may not be offered, sold or otherwise made available to any retail investor in the EEA or the UK. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**");

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**IDD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II;

(iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the New Securities to be offered so as to enable an investor to decide to purchase or subscribe for the New Securities.

No key information document required by the PRIIPs Regulation for offering or selling the New Securities or otherwise making them available to retail investors in a Relevant State has been prepared and therefore offering

or selling the New Securities or otherwise making them available to any retail investor in a Relevant State may be unlawful under the PRIIPs Regulation. References to Regulations or Directives include, in relation to the UK, those Regulations or Directives as they form part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 or have been implemented in UK domestic law, as appropriate.

Each person in a Member State of the EEA or the UK who receives any communication in respect of, or who acquires any New Securities under, the offers to the public contemplated in this invitation memorandum, or to whom the New Securities are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each Dealer Manager and the Issuer that it and any person on whose behalf it acquires New Securities is: (1) a "qualified investor" within the meaning of Article 2(e) of the Prospectus Regulation; and (2) not a "retail investor" (as defined above).

United Kingdom

In connection with this Invitation, each Dealer Manager:

a) has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial and Service and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any New Securities in circumstances in which Section 21(1) of the FSMA does not apply to the issuer; and

b) has complied and will comply with all applicable provisions of the FSMA and the Financial Services Act 2012 with respect to anything done by it in relation to the New Securities in, from or otherwise involving the United Kingdom.

Italy

None of the Invitation, the Invitation to Exchange, or any other document or materials relating to the Invitation to Exchange have been or will be submitted to the clearance procedures of the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian laws and regulations.

The Invitation to Exchange is being carried out in the Republic of Italy ("**Italy**") as an exempted offer pursuant to article 101-*bis*, paragraph 3-*bis* of the Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and article 35-*bis*, paragraphs 3 and 4 of CONSOB Regulation No. 11971 of 14 May 1999, as amended. Accordingly, Holders of the Eligible Bonds that are located in Italy can submit Tender Orders pursuant to the Invitation to Exchange through authorized persons (such as investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007, as amended from time to time, and Legislative Decree No. 385 of 1 September 1993, as amended from time to time) and in compliance with applicable laws and regulations or with requirements imposed by CONSOB, Bank of Italy or any other Italian authority.

Each intermediary must comply with the applicable laws and regulations concerning information duties vis-à-vis its clients in connection with the Eligible Bonds or the Invitation to Exchange.

Germany

See "*Special Notice to Investors in the European Economic Area and the United Kingdom*" on the cover page of this invitation memorandum, "*Prohibition of Sales to EEA and UK Retail Investors*" and "*—European Economic Area and United Kingdom*" above, for the applicable laws and regulations with respect to the Invitation to Exchange in Germany as a Relevant State.

Uruguay

The Invitation qualifies as a private placement pursuant to section 2 of Uruguayan law 18.627. The Republic represents and agrees that it has not offered to purchase, and will not offer to purchase, any Eligible Bonds to the public in Uruguay, except in circumstances which do not constitute a public offering or distribution under

Uruguayan laws and regulations. The Eligible Bonds and the New Securities are not and will not be registered with the Central Bank of Uruguay to be publicly offered in Uruguay.

Switzerland

The Invitation and the related offering of the New Securities in Switzerland is exempt from the requirement to prepare and publish a prospectus under the Swiss Financial Services Act ("**FinSA**") because such Invitation and offering is made to professional clients within the meaning of the FinSA only and/or to less than 500 retail clients within the meaning of the FinSA and the New Securities will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This invitation memorandum does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the Invitation or the offering of the New Securities.

Bahamas

This invitation memorandum in connection with the offer of New Securities by the Republic has not been reviewed by the Securities Commission of The Bahamas because this offer of securities is being made pursuant to an approved foreign issuer exemption under the Securities Industry Act, 2011.

The New Securities may not be offered in or from within The Bahamas unless the offer is made by a person appropriately licensed or registered to conduct securities business in or from within The Bahamas. The New Securities may not be offered to persons or entities designated or deemed resident in The Bahamas pursuant to the Exchange Control Regulations, 1956 of The Bahamas unless the prior approval of the Central Bank of The Bahamas is obtained.

Canada

Canada—Eligibility. In order to participate in the Invitation, holders of Eligible Bonds located in Canada are required to complete, sign and submit to the Information, Tabulation and Exchange Agent a Canadian certification form.

Canada—Selling Restrictions. Eligible Bonds may be exchanged for New Securities pursuant to the Invitation only by holders purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the New Securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Canada—*Statutory Rights of Action for Rescission or Damages.* Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the invitation memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Canada—Taxation and Eligibility for Investment. Canadian investors who acquire New Securities pursuant to the Invitation should consult their own legal and tax advisers with respect to the tax consequences of an investment in such securities in their particular circumstances and with respect to the eligibility of the said securities for investment by the purchaser under relevant Canadian legislation.

Chile

PURSUANT TO THE SECURITIES MARKET LAW OF CHILE AND *NORMA DE CARÁCTER GENERAL* (RULE) NO. 336, DATED JUNE 27, 2012, ISSUED BY THE FINANCIAL MARKET COMISSION OF CHILE (*COMISIÓN PARA EL MERCADO FINANCIERO* OR "**CMF**") ("**RULE 336**"), THE NEW SECURITIES MAY BE PRIVATELY OFFERED TO CERTAIN QUALIFIED INVESTORS IDENTIFIED AS

SUCH BY RULE 336 (WHICH IN TURN ARE FURTHER DESCRIBED IN RULE NO. 216, DATED JUNE 12, 2008, AND RULE 410 DATED JULY 27, 2016, BOTH OF THE CMF).

RULE 336 REQUIRES THE FOLLOWING INFORMATION TO BE MADE TO PROSPECTIVE INVESTORS IN CHILE:

1. DATE OF COMMENCEMENT OF THE OFFER: JULY 20, 2020. THE OFFER OF THE NEW SECURITIES IS SUBJECT TO RULE 336

2. THE SUBJECT MATTER OF THIS INVITATION ARE SECURITIES NOT REGISTERED IN THE SECURITIES REGISTRY (*REGISTRO DE VALORES*) OF THE CMF, NOR IN THE FOREIGN SECURITIES REGISTRY (*REGISTRO DE VALORES EXTRANJEROS*) OF THE CMF; HENCE, THE NEW SECURITIES ARE NOT SUBJECT TO THE OVERSIGHT OF THE CMF;

3. SINCE THE NEW SECURITIES ARE NOT REGISTERED IN CHILE THERE IS NO OBLIGATION BY THE ISSUER TO DELIVER PUBLIC INFORMATION ABOUT THE NEW SECURITIES IN CHILE; AND

4. THE NEW SECURITIES SHALL NOT BE SUBJECT TO PUBLIC OFFERING IN CHILE UNLESS REGISTERED IN THE RELEVANT SECURITIES REGISTRY OF THE CMF.

INFORMACIÓN A LOS INVERSIONISTAS CHILENOS

DE CONFORMIDAD CON LA LEY N° 18.045, DE MERCADO DE VALORES Y LA NORMA DE CARÁCTER GENERAL N° 336 (LA "**NCG 336**"), DE 27 DE JUNIO DE 2012, DE LA COMISIÓN PARA EL MERCADO FINANCIERO ("**CMF**"), LOS NUEVOS BONOS PUEDEN SER OFRECIDOS PRIVADAMENTE A CIERTOS "INVERSIONISTAS CALIFICADOS", A LOS QUE SE REFIERE LA NCG 336 Y QUE SE DEFINEN COMO TALES EN LA NORMA DE CARÁCTER GENERAL N° 216, DE 12 DE JUNIO DE 2008 Y EN LA NORMA DE CARÁCTER GENERAL Nº 410, DE 27 DE JULIO DE 2016, AMBAS DE LA CMF.

LA SIGUIENTE INFORMACIÓN SE PROPORCIONA A POTENCIALES INVERSIONISTAS DE CONFORMIDAD CON LA NCG 336:

1. LA OFERTA DE LOS NUEVOS BONOS COMIENZA EL 20 DE JULIO DE 2020, Y SE ENCUENTRA ACOGIDA A LA NCG 336;

2. LA OFERTA VERSA SOBRE VALORES NO INSCRITOS EN EL REGISTRO DE VALORES O EN EL REGISTRO DE VALORES EXTRANJEROS QUE LLEVA LA CMF, POR LO QUE TALES VALORES NO ESTÁN SUJETOS A LA FISCALIZACIÓN DE LA CMF;

3. POR TRATARSE DE VALORES NO INSCRITOS EN CHILE NO EXISTE LA OBLIGACIÓN POR PARTE DEL EMISOR DE ENTREGAR EN CHILE INFORMACIÓN PÚBLICA SOBRE ESTOS VALORES; Y

4. LOS NUEVOS BONOS NO PODRÁN SER OBJETO DE OFERTA PÚBLICA EN CHILE MIENTRAS NO SEAN INSCRITOS EN EL REGISTRO DE VALORES CORRESPONDIENTE DE LA CMF."

Japan

The New Securities have not been and will not be registered under Article 4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the "**FIEA**") since the offering in Japan constitutes the private placement to qualified institutional investors under Article 2, Paragraph 3, Item 2-A of the FIEA. Any transfer of the New Securities is prohibited except where it is transferred to qualified institutional investors, as defined in Article 10 of the Ordinance of Cabinet Office Concerning Definitions Provided in Article 2 of the Financial Instruments and Exchange Act of Japan.

Luxembourg

Neither this invitation memorandum nor any other documents or materials relating to the Invitation have been submitted to or will be submitted for approval or recognition to the *Commission de Surveillance du Secteur*

Financier, and, accordingly, the Invitation and the related Invitation to Exchange may not be made in the Grand Duchy of Luxembourg in a way that would be characterized as or result in an offering to the public other than in compliance with, and in circumstances that do not require the publication of a prospectus pursuant to the Prospectus Regulation, and the Luxembourg Law of 16 July 2019 on Prospectuses for Securities, in each case as amended or replaced from time to time.

Accordingly, the Invitation and the related Invitation to Exchange may not be advertised and neither this invitation memorandum nor any other documents or materials relating to the Invitation (including any memorandum, information circular, brochure or any similar documents) has been or shall be distributed or made available, directly or indirectly, to any person in the Grand Duchy of Luxembourg other than "qualified investors" in the sense of Article 2(e) of the Prospectus Regulation, acting on their own account. Insofar as the Grand Duchy of Luxembourg is concerned, this invitation memorandum has been issued only for the personal use of the above qualified investors and exclusively for the purpose of the Invitation. Accordingly, the information contained in this invitation memorandum may not be used for any other purpose or disclosed to any other person in the Grand Duchy of Luxembourg, except for the sole purpose of the admission of the New Securities to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market of the Luxembourg Stock Exchange.

The Netherlands

The Notes and the Guarantee have not been offered, sold, transferred or delivered in the Netherlands other than to persons or entities which are qualified investors (*gekwalificeerde beleggers*) as defined in Article 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

The Republic of Colombia

The New Securities may not be offered, sold or negotiated in Colombia, except in circumstances which do not constitute a public offering of securities under applicable Colombian Securities laws and regulations. Furthermore, foreign financial entities must abide by the terms of Decree 2555 of 2010 to offer the Notes privately to Colombian clients.

Peru

The New Securities, this Invitation Memorandum and other offering materials related to the offer of the New Securities are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru, and therefore will be supplied to those Peruvian investors who have expressly requested them. Such materials may not be redistributed to any person or entity other than the intended recipients. Peruvian securities laws and regulations on public offerings will not be applicable to the issuer or the sellers of the New Securities before or after their acquisition by prospective investors. The New Securities and the information contained in this Invitation Memorandum have not been and will not be reviewed, confirmed, approved or in any way submitted to the Peruvian Securities Market Superintendency (*Superintendencia del Mercado de Valores*) (the "SMV") nor have they been registered with the SMV's Securities Market Public Registry (*Registro Público del Mercado de Valores*). Accordingly, the New Securities cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian law and regulations and complies with the provisions on private offerings set forth therein.

The New Securities may not be offered or sold in the Republic of Peru except in compliance with the securities laws thereof.

FORWARD-LOOKING STATEMENTS

This invitation memorandum and any related supplement may contain forward-looking statements within the meaning of Section 27A of the Securities Act and section 22 of the U.S. Securities Exchange Act of 1934 as amended (the "**Exchange Act**"). Forward-looking statements are statements that are not historical facts, including statements about the Republic's beliefs and expectations. These statements are based on the Republic's current plans, estimates and projections. Therefore, you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made. The Republic undertakes no obligation to update any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties, including, but not limited to, those set forth in "Risk Factors" in this invitation memorandum. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. The information contained in this invitation memorandum identifies important factors that could cause such differences. Such factors include, but are not limited to adverse domestic and external factors, such as increases in inflation, high domestic interest rates and exchange rate volatility, political, climate or health related events, adverse external factors, such as a decline in foreign investment, international or domestic hostilities, changes in international prices (including commodity prices) for goods produced within the Republic, changes in international interest rates, recession or low economic growth in the Republic's trading partners, any of which could lead to lower economic growth in the Republic, and, indirectly, reduce tax revenues and other public sector revenues and adversely affect the Republic's fiscal accounts and its ability to service its debts.

VALIDITY OF THE NEW SECURITIES

The validity of the New Securities will be passed upon on behalf of the Republic by the *Coordinación General Jurídica* (General Legal Coordinator) at the Ministry of Economy and Finance of the Republic of Ecuador, as to all matters of Ecuadorian law, and Hogan Lovells US LLP, special New York counsel to the Republic, as to all matters of U.S. law, and on behalf of the Dealer Manager by Pérez Bustamante & Ponce, special Ecuadorian counsel to the Dealer Manager, as to all matters of Ecuadorian law, and by Cleary Gottlieb Steen & Hamilton LLP, New York counsel to the Dealer Manager, as to all matters of U.S. law.

As to all matters of Ecuadorian law, Hogan Lovells US LLP may rely on the opinion of the General Legal Coordinator at the Ministry of Economy and Finance of the Republic of Ecuador. As to all matters of U.S. law, the General Legal Coordinator at the Ministry of Economy and Finance of the Republic of Ecuador may rely on the opinion of Hogan Lovells US LLP.

GENERAL INFORMATION

Due Authorization

We will authorize (a) the creation and issue of the New Securities and (b) the Invitation pursuant to the Constitution of the Republic of Ecuador and the *Código Orgánico de Planificación y Finanzas Públicas* (Organic Code for Public Finance and Planning), through Resolution No. 016-2020 of the Debt and Finance Committee for the Republic issued on July 16, 2020.

Litigation

Neither the Republic nor any governmental agency is involved in any litigation or arbitration or administrative proceedings relating to claims or amounts that are material in the context of the Invitation or issue of the New Securities and that would materially and adversely affect the Republic's ability to meet its obligations under the New Securities and the New Indenture with respect to the New Securities. No such litigation or arbitration or administrative proceedings are pending or, so far as we are aware, threatened.

Documents Relating to the Debt Securities

Copies of the New Indenture, this invitation memorandum and the forms of the New Securities may be inspected free of charge during normal business hours on any day, except Saturdays, Sundays and public holidays in Luxembourg, at the offices of the listing agent in Luxembourg, as long as the New Securities are listed on the Luxembourg Stock Exchange. Copies of this invitation memorandum may be obtained during normal business hours on any day except Saturdays, Sundays and public holidays, at the offices of the listing agent in Luxembourg, as long as the New Securities are listed on the Luxembourg Stock Exchange.

Clearing

Application will be made for all of the New Securities to clear through Euroclear and Clearstream.

Appendix A

The Republic of Ecuador

FORWARD-LOOKING STATEMENTS

This Appendix contains certain forward-looking statements (as such term is defined in the Securities Act) concerning the Republic. These statements are based upon beliefs of certain Government officials and others as well as a number of assumptions and estimates that are inherently subject to significant uncertainties, many of which are beyond the control of the Republic. Future events may differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements include information contained in the sections "Summary," "The Republic of Ecuador," "The Ecuadorian Economy," "Balance of Payments and Foreign Trade," "Monetary System," "Public Sector Finances" and "Public Debt" as well as:

External factors, such as:

- lower petroleum and mineral prices, which could adversely affect Ecuador's economy, fiscal accounts and International Reserves;
- damage to and volatility in the international capital markets for emerging markets issuers caused by economic conditions in other emerging markets or changes in policy of Ecuador's trading partners and the international capital markets generally, which could affect Ecuador's ability to engage in planned borrowing;
- changes in import tariffs and exchange rates of other countries, which could harm Ecuador's exports and, as a consequence, have a negative impact on the growth of Ecuador's economy;
- recession or low growth in the economies of Ecuador's trading partners, particularly of the United States and the European Union, which could lead to fewer exports and affect Ecuador's growth;
- a deterioration in relations between Ecuador and other countries in the region or other disruptions to Ecuador's international relations;
- changes in credit rating of the Republic;
- the impact of changes in the international price of commodities and, in particular, oil;
- higher international interest rates, which could increase Ecuador's debt service requirements and require a shift in budgetary expenditures toward additional debt service; and
- terrorist attacks in the United States or elsewhere, acts of war, or any general slowdown in the global economy.

Internal factors, such as:

- social and political unrest in Ecuador;
- Ecuador's ability to continue to attract foreign investment;
- continued public support for Ecuador's current economic policies;
- Ecuador's level of domestic debt;
- general economic and business conditions in Ecuador; and
- other factors identified or discussed under "*Risk Factors*."

In addition, in those and other portions of this Appendix, the words "anticipates," "believes," "contemplates," "estimates," "expects," "plans," "intends," "projections" and similar expressions, as they relate to the Republic, are intended to identify forward-looking statements.

Undue reliance should not be placed on forward-looking statements, which are based on current expectations. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in forward-looking statements. Many of the factors that will determine these results and values are beyond the Republic's ability to control or predict. Because of the risks and uncertainties involved, an investment decision based on the estimates and forward-looking statements should not be made. All forward-looking statements and risk factors included in this Appendix are made as of the date on the front cover of the Invitation Memorandum, based on information available to the Republic as of such date, and Ecuador assumes no obligation to update any forward-looking statement or risk factor.

SUMMARY INFORMATION AND RECENT DEVELOPMENTS REGARDING ECUADOR

The following summary does not purport to be complete and is qualified in its entirety by, and is subject to, the detailed information appearing elsewhere in this Appendix.

The Republic of Ecuador

Ecuador is one of the smallest countries in South America, covering an area of approximately 99,054 square miles (256,549 square kilometers). Located on the north-western coast of the continent, it shares a 950-mile border with Peru to the south and the east, a 373-mile border with Colombia to the north, and a 1,452-mile coastline to the Pacific Ocean to the west. The country encompasses a wide range of geographic areas and climates, including the Pacific coastal plains, the Sierra (consisting of the Andean highland region), the Oriente (characterized by the Amazonian tropical rain forest) and the Galapagos Islands region located in the Pacific Ocean approximately 600 miles from the coast.

The State of Emergency and the 2020 Global Crisis

The global pandemic caused by COVID-19 has severely impacted the health and welfare of the people of Ecuador. The first confirmed case of the virus in Ecuador was registered on February 29, 2020. Ecuador has been one of the hardest hit countries in the world in proportion to its total population, estimated at 17.3 million, with 56,432 confirmed cases and 4,527 deaths from the virus as of June 30, 2020. In addition to the health crisis, the pandemic has been an unprecedented external shock affecting severely Ecuador's economy. The sudden collapse of global crude oil prices, a virtual halt in tourism, and delays in shipping of exports of perishable goods such as flowers, the unexpected rupture of two of the country's main oil pipelines, among other circumstances, are having a severe impact on the economy of Ecuador.

On March 12, 2020, President Lenín Moreno declared a national state of emergency (the "State of Emergency"), followed by a nationwide lockdown order, excluding essential services and activities, on March 15, 2020, the closure of Ecuador's borders on March 17, 2020, and the declaration of a national curfew on March 21, 2020. On April 30, 2020, the Ecuadorian government (the "Government") announced that despite these measures, the Republic's healthcare system was under severe pressure, lacking essential medical resources including medical equipment and supplies, testing kits, protective garments, and additional medical staff. On May 5, 2020, President Moreno ordered the extension of the State of Emergency for 30 days. On June 15, 2020, President Moreno ordered a second extension of the State of Emergency for an additional 60 days. Further, because the Ecuadorian economy has a significant informal sector, the measures adopted by the Government to prevent the spread of COVID-19 have significantly impeded activity in this sector. As a result, the percentage of the population falling into poverty is increasing as of the date of the Invitation Memorandum and this percentage is expected to continue increasing during the following months, see *"The Ecuadorian Economy—Employment and Wages*."

On March 9, 2020, international oil prices dropped to their lowest levels since the Gulf War in 1991. The WTI price per barrel of crude oil, which is the benchmark reference for Ecuadorian crude oil, hit a low of U.S.$29.78 on that day. The WTI price per barrel of crude oil continued to decline, reaching U.S.$22.41 per barrel at the close of the trading session on April 13, 2020, and closing at U.S.$12.41 per barrel on April 20, 2020. As of June 30, 2020, the WTI price per barrel of crude oil closed at U.S.$39.27 per barrel. As a result of the decline in the prices of oil, on March 10, 2020, President Moreno announced budget cuts amounting to approximately U.S.$1,400 million of which U.S.$800 million relate to goods and services and U.S.$600 million relate to capital goods. For the five months ended on May 31, 2020, oil revenues in the consolidated non-financial public sector amounted to U.S.$2,134 million, a 37% decrease compared to U.S.$3,392 million for the same period of 2019. For the five months ended on May 31, 2020, Central Government oil revenues amounted to U.S.$2,051 million, a 10.2% decrease compared to U.S.$2,285 million for the same period in 2019.

As a result of the decline in international crude oil prices, on May 19, 2020, President Moreno issued decree No. 1054 ("Decree 1054") which allows the price of oil in Ecuador to fluctuate based on the price in the international market of the WTI, while placing a price band that would not allow price fluctuations greater than 5% at service stations. Decree 1054 also repealed the fixed margins that had been established by decree No. 338 ("Decree 338") for diesel 2, premium diesel, extra gasoline and extra gasoline with ethanol. Beginning in May

2020, the price for diesel 2 and premium diesel has been fixed at U.S.$1.00 per gallon and the price for extra gasoline with and without ethanol has been fixed at U.S.$1.75 per gallon. On July 1, 2020, these prices became subject to the pricing band established pursuant to Decree 1054. This pricing mechanism is to be monitored on a monthly basis by the Republic. The MEF together with the Ministry of Energy and Non-Renewable Natural Resources must prepare and present a biannual report to President Moreno regarding the application of the pricing band. Decree 1054 does not provide guidance on the content of such biannual report.

As a result of the crisis caused by the COVID-19 outbreak and the decline in international oil prices, Ecuador's public finances have come under critical strains due to lower tax collections and oil revenues and surging crisis-related healthcare and social assistance outlays. With much of the economy in quarantine and under a lockdown order for a significant period of time, the overall impact has resulted in urgent and sizable balance of payment needs.

As of the date of the Invitation Memorandum, the World Bank projects that Ecuador's 2020 GDP will contract by 7.4% compared to the 2019 GDP. As of April 2020, the IMF projected that Ecuador's 2020 GDP will contract by 6.3% compared to the 2019 GDP. As of the date of the Invitation Memorandum, the Central Bank of Ecuador projects that the 2020 GDP will be U.S.$95,512 million, compared to the U.S.$107,436 million in 2019, which would represent an 11.1% decrease. The fiscal deficit for the year 2020 is projected at U.S.$9,400 million (representing 9.8% of the projected 2020 GDP) compared to the U.S.$5,359 million fiscal deficit for 2019. As of May 2020, according to the Ministry of Labor, approximately 115,000 jobs have been lost in the private sector and 3,000 in the public sector, in each case during 2020, and according to President Moreno, the Republic's 2020 revenues through May 19, 2020, were approximately U.S.$12,000 million lower than projected before the crisis. In this context, the Republic has requested financial support amounting to U.S.$2,909 million from multilateral organizations such as the IMF, the World Bank, the IDB and the CAF. As of the date of the Invitation Memorandum, the Republic has received a total of U.S.$1,832 million in external financing to help combat the effects of the crisis, see "*Public Debt.*" As of April 2020, the Government announced it had managed to cut its expenses by U.S.$1,400 million and on May 19, 2020, it announced its plans to further cut public expenses by U.S.$4,000 million.

As of the date of the Invitation Memorandum, the Republic estimates that the total aggregate financing needs for 2020 are approximately U.S.$15,648 million, of which (i) 23.3% is expected to come from agreements with multilateral institutions (totaling approximately U.S.$3,645 million), (ii) 17.9% is expected to come from bilateral creditors (totaling approximately U.S.$2,798 million, including approximately U.S.$1,000 million which is expected to come from CDB, approximately U.S.$1,400 million which is expected to come from a syndicate of Chinese lenders led by ICBC and approximately U.S.$398 million which is expected to come from other bilateral creditors), (iii) 3.5% is expected to come from other private sector and commercial loans (totaling approximately U.S.$544 million) and (iv) 16.6% is expected to come from domestic funding (totaling approximately U.S.$2,627 million). In addition, if the invitation pursuant to the Invitation Memorandum is successful, the Republic expects that there would be savings of approximately U.S.$1,361 million for 2020, thus reducing the remaining financing gap to approximately U.S.$4,673 million. The resources from the potential IMF successor program, additional multilateral funding, internal debt restructuring and the contemplated fiscal consolidation measures will represent the major contribution to address this financing gap.

Measures Implemented by the Ecuadorian Government to Address the COVID-19 Outbreak

Among some of the measures taken by the Government to alleviate the effects of the crisis and the restrictions imposed by the country's State of Emergency during the months of March through June 2020 are the following:

- *Containment measures to limit the spread of the virus.* These measures included closing schools and universities, public spaces and non-critical commercial activities, halting public transport, and imposing a nationwide curfew. Ecuador has shut all its borders, and the Government requested the military to lead efforts to contain the spread of COVID-19 in the province of Guayas where 75% of confirmed cases of COVID-19 are concentrated, as a zone of national security, to enforce confinement measures.

- *Fiscal policy to protect the real economy against the confluence of shocks*. On March 19, 2020, the authorities announced several measures to support the population and businesses, including a deferral of payroll contributions, a monthly U.S.$60 cash transfer for April and May to approximately 400 thousand poor families, distribution of food baskets, and credit lines for small and medium-size businesses. To shelter the budget from the sharp fall in oil prices and help protect fiscal sustainability, President Moreno also announced a series of tightening fiscal measures on March 23, 2020, including both revenue-enhancing measures and expenditure cuts, amounting to approximately 2% of GDP. The package also included approximately 2.5% of GDP in new financing and refinancing of some current obligations. Measures to boost revenue were also implemented, including an increase in the withholding tax for banks, state-owned enterprises and other commercial corporations and a temporary increase in import duties.

- *Monetary and financial policy measures to maintain macro-economic stability*:

    - On June 8, 2020, the *Junta de Política y Regulación Monetaria y Financiera* (the "Monetary and Financial Policy and Regulation Board") issued temporary modifications to the *Codificación de Resoluciones Monetarias, Financieras, de Valores y Seguros* (the "Code of Monetary, Financial, Securities and Insurance Resolutions") to support the private sector including deferrals of credit obligations and a requirement of banks to add loss provisions on their gross lending portfolio during 2020. Finally, in order to alleviate liquidity constraints for the financial sector, the Monetary and Financial Policy and Regulation Board has approved a reduction in the annual contribution by private sector financial institutions to the Liquidity Fund by 3% from 8% to 5% of eligible deposits. As of the date of the Invitation Memorandum, the Government estimates that this measure has freed approximately U.S.$940 million in liquid resources for the financial system.

    - Separately, on May 19, 2020, the Government announced the *Reactívate Ecuador* program to provide a total of U.S.$1,150 million in financing for micro, small and medium-sized businesses with funding from the World Bank, the IMF and other multilateral organizations. In its first phase, the program received a total of U.S.$500 million in disbursements from the World Bank (U.S.$200 million), the IMF (U.S.$100 million) and other sources (U.S.$200 million). The program started on May 25, 2020, with loans to qualified business owners under the program ranging from a 12- to 36-month maturity with a six-month grace period. Banco del Pacífico, the bank through which the funds are being channeled to participants in the program, reported that as of June 30, 2020, 2,487 individual applications for funding had been made, amounting to U.S.$152 million, out of which U.S.$42 million had been approved. The Government announced that as of May 26, 2020, 300,000 applications had been made online. Under the *Reactívate* program, the Republic is expected to receive U.S.$93.8 million from the IDB earmarked to provide funding to the *Corporación Nacional de Finanzas Populares y Solidarias* (the "CONAFIPS"), U.S.$260 million approved by the World Bank Board of Directors to provide funding to the *Corporación Financiera Nacional B.P.* (the "CFN"), and U.S.$300 million from the United States International Development Finance Corporation ("DFC") earmarked for the creation of a private fund for the Ecuadorian financial sector.

Organic Law on Humanitarian Aid

On June 19, 2020, the National Assembly approved the *Ley Orgánica de Apoyo Humanitario para Combatir la Crisis Sanitaria Derivada del COVID 19* ("Organic Law on Humanitarian Aid"), after a Presidential partial veto, and it was published and became effective on June 22, 2020. The Organic Law on Humanitarian Aid aims to establish policies to protect the health, safety, education and welfare of the citizens of the Republic and to reactivate the national economy, including, without limitation, the following measures:

- *Public relief measures*: mandating elementary, primary and secondary schools and universities to offer a tuition discount of up to 25% to students who have been economically affected under certain circumstances; prohibiting the expulsion of students that default on the payment of monthly school charges and establishing a government credit facility for those failing to pay for a period of six months; a

mandatory 10% increase of the number of grants for universities; a prohibition on forced evictions during the term of the State of Emergency; freezing utility charges; reducing the cost of power for those under the poverty line; preventing healthcare providers from suspending care and preventing health insurance providers from terminating health insurance policies; expanding the healthcare coverage for certain healthcare plans provided under the social security framework.

- *Access to credit*: requiring national financial institutions to offer loans to the productive sector, which includes the sectors of the economy involved in the production of raw materials and goods, among others, on favorable terms and conditions; offering tax credits to financial institutions that offer credit alternatives with a term greater than 48 months.

- *Flexibilitization of employment rules*: allowing employers to unilaterally modify employment contracts to reduce the length of the work day only if justified under force majeure and allowing for salary adjustments per hours actually worked with a 45% reduction cap and for no more than a year; creating special rules for vacations.

- *Debt relief*: mandating that the Monetary and Financial Policy and Regulation Board issue a resolution so that during the length of the state of emergency, financial institution and other entities providing credit must work with their clients to reschedule the collection of monthly installments.

- *Tenant relief*: suspending evictions of tenants during the State of Emergency and for up to 60 days after its conclusion as long as the tenant pays at least 20% of any outstanding payment.

The Organic Law on Humanitarian Aid mandates certain government agencies to issue regulation for the application of certain of these measures.

Organic Law for the Regulation of Public Finances

On May 16, 2020, the National Assembly approved the *Proyecto de Ley Orgánica para el Ordenamiento de las Finanzas Públicas* and, after a Presidential partial veto, it became effective on July 15, 2020 ("Organic Law for the Regulation of Public Finances").

The Organic Law for the Regulation of Public Finances aims to improve the administration of public finances. The Organic Law for the Regulation of Public Finances, among other measures, centralizes under the Ministry of Economy and Finance the determination of the budget ceiling of each of the agencies under the executive branch, which budget ceilings must be set in accordance with the priorities of the relevant agency and the national plan for development, and creates new domestic treasury securities and new tax rules without adversely affecting the autonomy of the relevant public instrumentalities such as the Central Bank of Ecuador, among others. For a list of material provisions in the Organic Law for the Regulation of Public Finances, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances.*"

The Organic Law for the Regulation of Public Finances sets out a timetable for the gradual decrease of the public debt by imposing transitional debt to GDP ratio ceilings starting at 57% by 2025 and reducing it to 45% by 2030 and to 40% by 2032, after which the public debt to GDP will be required by law to be kept at or below the legal limit of 40%, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances.*"

The Organic Law for the Regulation of Public Finances also amends article 123 of the Public Planning and Finance Code by making clarifications to the definition of public debt as well as including and excluding certain transactions and instrument within its definition with the intent to provide a more accurate reflection of the debt profile of the Republic, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances.*"

Recent Developments in Oil Production, Transportation and Refinery and in the Mining Industry

Ecuador has two major oil pipelines, the Trans-Ecuadorian Pipeline System (the "SOTE") and the *Oleoducto de Crudos Pesados* (the "OCP"). Most of Ecuador's crude oil production is transported through the SOTE pipeline, which links Lago Agrio in the Oriente region to the Balao export terminal on the Pacific coast and has a capacity of approximately 360,000 bpd. Crude oil production has increased in the last ten years with the opening of the OCP pipeline, which removed a chokepoint on heavy crude oil transportation in the country.

On April 7, 2020, a sinkhole in the San Rafael prevented the SOTE and the OCP pipelines from receiving and transporting oil. Following this event, on April 10, 2020, the Ministry of Energy and Non-Renewable Resources declared a force majeure event during which the production of the Empresa Pública de Exploración y Explotación de Hidrocarburos Petroamazonas EP ("Petroamazonas") was reduced to 65,000 barrels of oil per day. The declaration of a force majeure event was lifted on May 9, 2020 when the repairs to the SOTE and OCP pipelines were completed and they were declared to be technically operational to receive and transport oil.

On June 4, 2020, the Ministry of Energy and Non-Renewable Resources declared another force majeure event related the suspension of activities of the SOTE pipeline due to the construction of two pipe variants of 380 and 690 meters in length which were intended to protect the integrity of the pipeline following the appearance of a new sinkhole in the San Rafael sector. This force majeure declaration was lifted four days later on June 8, 2020 once the completion of the construction work on the pipe variants was reported.

With respect to Ecuador's mining industry, the outbreak of the COVID-19 pandemic has effected its normal operations. Following the State of Emergency declared by President Moreno in March 2020, various mining projects such as the Fruta del Norte Project and the Mirador Project have halted normal production and switched to a maintenance phase. Other parts of the sector are working on a similarly limited basis, while a portion completely detained operations. The Ministry of Energy and Non-Renewable Resources has taken steps to ameliorate the impact to the mining sector during the health emergency. For example, on March 23, 2020, it extended the deadline that companies have to pay for mining conservation patents.

According to the Ministry of Energy and Non-Renewable Natural Resources, as of May 6, 2020, the COVID-19 crisis, and in particular the constraints to mobility and other restrictions resulting from the State of Emergency, has prevented the export of minerals valued at approximately U.S.$72.5 million with 70% of such losses coming from the copper and gold operations at Mirador and Fruta del Norte.

The Ecuadorian Economy

The U.S. dollar is the legal tender in Ecuador. Real GDP for 2019 was U.S.$71,909 million, compared to U.S.$71,871 million in 2018, representing a 0.1% increase in real terms. This increase was mainly due to an increase in exports by 5.2% and household consumption by 1.5%, despite an increase in imports of 1.6%. In 2019, the nominal GDP reached U.S.$107,436 million representing a 0.1% decrease from U.S.$107,562 million in 2018. This decrease was mainly due to the decline of government final consumption and gross fixed capital.

According to the Central Bank, inflation decreased from 0.27% for the 12-month period ended December 31, 2018 to -0.07% for the 12-month period ended December 31, 2019. This decrease was primarily due to five of twelve groups of goods and services, which account for 50.60%, having negative variations. Of these five, "clothing and footwear" (-2.13%) and "furniture, household items and ordinary home maintenance" (-1.44%) had the highest variation. Of the remaining seven groups which account for 49.40%, the highest positive variations were recorded by "education" (2.99%) and "health" (1.37%). According to the Central Bank, inflation decreased from 0.61% for the 12-month period ended June 30, 2019 to 0.17% for the 12-month period ended June 30, 2020. This decrease in the rate of inflation was the result of the increase in the proportion of negative price variations among the different groups of products used to measure inflation compared to the previous period, with "clothing and footwear" (-4.26%) and "recreation and culture" (-2.72%) showing the highest negative variations, despite "food and non-alcoholic beverages" (3.25%) and "health" (2.25%) having the highest positive variations for the period.

From 2017 to 2019, the rate of unemployment decreased from 4.62% as of December 31, 2017, to 3.84% as of December 31, 2019. As of May 2020, due to the global COVID-19 crisis and the economic situation resulting from both the health crisis and the decline in international oil prices, according to the Minister of Labor, approximately 115,000 jobs have been lost in the private sector and 3,000 in the public sector.

In 2019, manufacturing was the largest sector of the economy measured by percentage of GDP (13.02%), followed by construction (10.85%), commerce (9.55%), social services (8.98%) and agriculture (7.87%). In the first quarter of 2020, manufacturing was the largest sector of the economy measured by percentage of GDP (13.67%), followed by construction (10.52%), commerce (9.75%), social services (8.78%) and agriculture (8.50%).

In 2019, state-owned companies were responsible for 78.9% of the oil production, compared to 77.5% in 2018. This increase was principally due to the increase in production in the Auca and ITT fields in 2019. In the five months ended May 31, 2020, state-owned companies were responsible for 78.6% of the oil production, compared to 78.4% of the oil production in the same period of 2019.

According to the Central Bank's Monthly Bulletin for June 2020, oil field crude production, including that of private and state-owned companies, reached 188.8 million barrels for the year 2018, representing a 2.7% decrease from the 193.9 million barrels produced in 2017, 193.8 million barrels for the year 2019, representing a 2.65% increase from 2018, and 65.6 million barrels during the first five months of 2020, representing a 18.0% decrease from the 80.0 million barrels produced during the same period of 2019

In 2019, crude oil exports totaled U.S.$7,731 million, a 1.6% decrease from U.S.$7,853 million in 2018. This decrease was due to a decrease in the average international price of petroleum per barrel from U.S.$60.55 in 2018 to U.S.$55.30 in 2019, which was partially offset by an increase in export volume from 129.7 million barrels in 2018 to 139.8 million barrels in 2019. In the first five months of 2020, crude oil exports totaled U.S.$1,624 million, a 50.9% decrease from U.S.$3,306 million in the first five months of 2019. This decrease was primarily due to an 14.3% decrease in the export volume, from 57.5 million barrels to 49.3 million barrels and a 42.6% decrease in the price per barrel from U.S.$57.49 to U.S.$32.98. In addition, due to problems with the pipeline that transports oil, production was partially suspended, which reduced production by 18.0% from 79.9 million barrels in the five months of 2019 to 65.6 million barrels in the same period of 2020.

Balance of Payments and Foreign Trade

Given Ecuador's dollarized economy, the balance of payments is important in determining money supply. A positive balance of payments would increase money supply and a negative balance of payments would decrease money supply.

In 2019, the current account registered a deficit of U.S.$111.8 million, a decrease of U.S.$1,222.9 million in the deficit compared to the U.S.$1,334.7 million deficit in 2018. This decrease in the deficit was mainly due to surpluses in the balance of goods (U.S.$1,025.1 million) and secondary income (U.S.$ 2,738.7 million). However, there were deficits in the balance of services (U.S.$762.7 million) and in primary income (U.S.$3,112.9 million).

For the first quarter of 2020, the current account registered a surplus of U.S.$395.4 million, a U.S.$661.1 million decrease in the deficit compared to the U.S.$265.7 million deficit for the same period in 2019. This decrease in the deficit was mainly due to surpluses achieved in the balance of goods (U.S.$ 627.5 million) and secondary income (U.S.$ 636.0 million), which compensated for the deficits in the balance of services (U.S.$222.1 million) and primary income (U.S.$646.0 million).

In 2019, the balance of the capital and financial accounts registered a surplus of U.S.$82.4 million compared to the U.S.$1,887.5 million deficit for 2018. This decrease in the deficit in balance of the capital and financial accounts for 2019 was primarily due to an increase in the acquisition of net financial assets by U.S.$3,554.0 million and a decrease in net liabilities incurred of U.S.$2,387.1 million. Other investment assets increased from U.S.$2,313.3 million to U.S.$5,401.7 million and other investment liabilities increased from U.S.$111.9 million to U.S.$2,970.7 million. Furthermore, reserve assets increased by U.S.$171.2 during 2018 and by U.S.$715.3 million in 2019.

For the first quarter of 2020, the balance of the capital and financial accounts registered a surplus of U.S.$368.4 million compared to the U.S.$254 million deficit for the same period in 2019. This decrease in the deficit in the balance of the capital and financial accounts was primarily due to an increase in the acquisition of net financial assets from U.S.$429.3 million to U.S.$1,429.7 million and a decrease in net liabilities incurred from U.S.$1,969.7 million to U.S.$240.7 million. Reserves increased during the first quarter of 2018 by U.S.$1,269.6 million and decreased during the first quarter of 2020 by U.S.$1,319.4 million.

In 2019, foreign direct investment totaled U.S.$937.6 million, a decrease compared to the U.S.$1,456.0 million in 2018. This decrease was principally due to lower financial support received from related companies, from U.S.$754.0 million in 2018 to U.S.$337.4 million in 2019. For the first quarter of 2020, foreign direct investment totaled U.S.$202.5 million, a decrease compared to the U.S.$209.6 million for the same period in 2019. This decrease was principally due to a decrease in money received from loans between related companies, despite the increase in the flow of shares, which increased by U.S.$35.2 million.

According to the Central Bank's balance of payment statistical bulletin, in 2019, imports totaled U.S.$21,748.7 million compared to U.S.$22,358.8 million in 2018. This decrease in the level of imports was primarily due to a decrease in the importation of commodities (-7.3%), fuel and lubricants (-4.1%) and consumer goods (-1.4%). According to the Central Bank's monthly statistical bulletin, for the first four months of 2020, imports totaled U.S.$6,155 million compared to U.S.$7,558 million for the first four months of 2019. This decrease in the level of imports was primarily due to the decrease in imports (CIF) mainly in capital goods (-24.9%), fuel and lubricants (-21.5%), consumer goods (-18.3%) and commodities (-12.8%). In the first five months of 2020, imports totaled U.S.$7,404 million compared to U.S.$9,644 million for the first five months of 2019.

According to the Central Bank's balance of payments statistical bulletin, in 2019, exports amounted to U.S.$22,773.8 million, an increase of 2.9% compared to U.S.$22,132.8 million in 2018. This increase was primarily due to the increase in exports of shrimp (22.0%) and bananas (2.5%). According to the Central Bank's monthly statistical bulletin, in the first five months of 2020, exports amounted to U.S.$7,871 million, a decrease of 14.7% compared to U.S.$9,223 million in the first five months of 2019. This decrease was mainly due to lower oil exports, impacted by lower export volumes and by lower price per barrel of crude oil and oil derivatives.

International Reserves

Ecuador's international reserves ("International Reserves"), include, among other items, cash in foreign currency, gold reserves, reserves in international institutions, and deposits from Ecuador's financial institutions and non-financial public sector institutions.

According to the Central Bank's monthly statistical bulletin, as of December 31, 2018, Ecuador's International Reserves totaled U.S.$2,676.5 million, an increase from December 31, 2017 when International Reserves totaled U.S.$2,451.1 million. The increase in International Reserves during the 12-month period ending in December 31, 2018 compared to the period ending in December 31, 2017 was mainly due to an increase in the net income of oil exports and the net payment of external public debt, which allowed to offset the net outflow of the private financial sector (mainly due to goods and services imports) by U.S.$2,091 million, the non-oil imports of the public sector and payments in arbitral awards by U.S.$1,927 million, and net cash withdrawals from the financial system by U.S.$589 million.

According to the Central Bank's monthly statistical bulletin, as of December 31, 2019, Ecuador's International Reserves totaled U.S.$3,397.1 million, a 26.9% increase from December 31, 2018 when International Reserves totaled U.S.$2,676.5 million. The increase in International Reserves during the 12-month period ending in December 31, 2019 compared to the period ending in December 31, 2018 was mainly due to four factors. First, in terms of net income, more money transfers were received from crude oil exports than money transfers made for derivatives imports, which resulted in an accumulation of U.S.$2,256.5 million in Ecuador's International Reserves. Second, in terms of net outflows, the International Reserves decreased due to net money transfers abroad from the private and public sectors in the amounts of U.S.$1,750.2 million and U.S.$1,025.4 million, respectively. Third, there was a decrease in net withdrawals of cash from the financial system of U.S.$426.6 million. Finally, there was an increase in the net public external debt of U.S.$1,624.8 million.

According to the Central Bank's monthly statistical bulletin, as of June 30, 2020, Ecuador's International Reserves totaled U.S.$2,665.6 million, a decrease from June 30, 2019 when International Reserves totaled U.S.$4,095.3 million. This decrease in International Reserves was principally due to net money transfers abroad during this period with U.S.$2,272 million in cash withdrawals from the financial system and U.S.$1,873 million cash withdrawals from the public sector.

Public Sector Finances

In 2019, Central Government revenues totaled U.S.$24,699 million, while total expenditures were U.S.$30,057 million. This resulted in an overall fiscal deficit of U.S.$5,359 million in 2019, an increase in the deficit compared to the U.S.$4,197 million deficit in 2018. This increase in the deficit was primarily due to the revenues collected in 2019 being 6.4% lower than those of 2018, principally due to lower oil revenues and lower tax collections.

For the first four months of 2020, Central Government revenues totaled U.S.$7,716 million, while total expenditures were U.S.$8,972 million. This resulted in an overall fiscal deficit of U.S.$1,256 million for the first four months of 2019, as compared to the U.S.$1,019 million deficit for the first four months of 2019. This increase in the deficit is primarily due to the impact of the reduction in oil revenues due to the decline in the international oil prices and lower tax collection, as well as the extraordinary expenses made to offset the effects of the COVID-19 pandemic. In the first five months of 2020, Central Government revenues totaled U.S.$8,706 million, an 11.4% decrease from U.S.$9,824 million in the first five months of 2019.

In 2019, the non-financial public sector registered a deficit of U.S.$3,008 million compared to a deficit of U.S.$3,369 million in 2018. This decrease in the deficit was principally due to an adjustment program implemented by the Government in which the largest adjustment impact was made to total expenses of 5.9% with respect to the lower income of 5.5% of total income. In 2019, total revenues for the non-financial public sector totaled U.S.$35,935 million, a decrease from U.S.$38,024 million for 2018. This decrease was primarily due to the reduction of oil revenues by 4.6% mainly due to the variation in international oil prices and the lower collection of taxes since 2018 due to, among others, the implementation of certain tax amnesties. In 2019, total expenditures for the non-financial public sector totaled U.S.$38,943 million, a decrease compared to U.S.$41,393 million in 2018. This decrease was primarily due to the optimization of the programs and projects implemented by the Government during 2019.

For the first four months of 2020, the non-financial public sector registered a deficit of U.S.$27 million compared to a surplus of U.S.$465 million for the first four months of 2019. This increase in total deficit is primarily due to the drop in oil prices in the international market, breakdowns in the main pipelines that transport Ecuadorian crude oil, less economic activity due to the global pandemic of COVID-19 and its effects on the Ecuadorian economy and the resulting impact on tax collection that forced the rescheduling of payments dates of some taxes, such as the deferment of payment dates for corporate income tax and VAT for April, May and June of 2020. In the first five months of 2020, the non-financial public sector registered a deficit of U.S.$1,115 million, compared to a surplus of U.S.$580 million in the first five months of 2019.

For the first four months of 2020, total revenues for the non-financial public sector totaled U.S.$11,341 million, a decrease from U.S.$12,300 million for the first four months of 2019. This decrease was primarily due to the lower oil revenues and lower tax collection due to the effects of the COVID-19 pandemic. In the first five months of 2020, total revenues for the non-financial public sector totaled U.S.$12,938 million, a decrease from U.S.$15,690 million in the first five months of 2019.

For the first four months of 2020, total expenditures for the non-financial public sector totaled U.S.$11,368 million, a decrease compared to U.S.$11,835 million for the first four months of 2019. This decrease was primarily due to the optimization of current expenses and expenditures associated with the COVID-19 pandemic. In the first five months of 2020, total expenditures for the non-financial public sector totaled U.S.$14,053 million, a decrease from U.S.$15,110 million in the first five months of 2019.

The 2020 Budget (the "2020 Budget") became effective on December 27, 2019. The 2020 Budget has not been modified and the Republic operates based on the 2020 Budget as it became effective on December 27, 2019.

For more information on the budget process, see "*Public Sector Finances—Overview—Budget Process*." The 2020 Budget provided for a budget of approximately U.S.$35,498 million, and it assumed approximately U.S.$22,516 million in total revenue, which includes expected income from monetization of certain public assets, and approximately U.S.$25,900 million in total expenses, for an expected total deficit of approximately U.S.$3,384 million.

As a result of the COVID-19 crisis and the decline in international oil prices, the Government's projected deficit for the year ending December 31, 2020, has increased to U.S.$9,400 million , for a 175.4% projected increase in the deficit compared to 2019, principally due to a significant decrease in the expected revenue from oil for 2020 from U.S.$3,192 million (not including expected tax revenue on oil-related income and the deficit derivatives financing account, a fund that includes public resources tied to oil revenues, which covers the cost of importing oil derivatives and the local purchase of hydrocarbons and fuel) pre-crisis based on the assumption that the average international price for crude oil for 2020 would be U.S.$51.3 per barrel, to U.S.$499 million as of April 2020, based on a projected average international price of Ecuadorian crude oil of U.S.$30.6 as of the date of the Invitation Memorandum. The 2020 Budget also assumed a GDP rate growth of 0.57%. As of the date of the Invitation Memorandum, the Government projects a GDP rate decrease ranging from 7.3% and 9.6% for 2020 as a result of the COVID-19 crisis and the decline in international oil prices. The Republic's expenditure profile has changed mainly in the categories of capital and investment expenditures as a result of the COVID-19 crisis and the decline in international oil prices.

As of the date of the Invitation Memorandum, the Republic estimates that the total aggregate financing needs for 2020 are approximately U.S.$15,648 million, of which (i) 23.3% is expected to come from agreements with multilateral institutions (totaling approximately U.S.$3,645 million), (ii) 17.9% is expected to come from bilateral creditors (totaling approximately U.S.$2,798 million, including approximately U.S.$1,000 million which is expected to come from CDB, approximately U.S.$1,400 million which is expected to come from a syndicate of Chinese lenders led by ICBC and approximately U.S.$398 million which is expected to come from other bilateral creditors), (iii) 3.5% is expected to come from other private sector and commercial loans (totaling approximately U.S.$544 million) and (iv) 16.6% is expected to come from domestic funding (totaling approximately U.S.$2,627 million). In addition, if the invitation pursuant to the Invitation Memorandum is successful, the Republic expects that there would be savings of approximately U.S.$1,361 million for 2020, thus reducing the remaining financing gap to approximately U.S.$4,673 million. The resources from the potential IMF successor program, additional multilateral funding, internal debt restructuring and the contemplated fiscal consolidation measures will represent the major contribution to address this financing gap.

Public Debt

Public sector aggregate debt, including internal and external debt of the financial and non-financial public sector and the external Central Bank debt balance, was U.S.$58,418.3 million as of May 31, 2020, compared to U.S.$55,718.0 million as of May 31, 2019. This increase in public sector aggregated debt was primarily due to disbursements from multilateral organizations such as the IMF, CAF, IDB, World Bank and the AFD under the financing framework approved by the IMF in 2019, bilateral loans entered into by the Republic with The Export-Import Bank of China and Spain's ICO and the placements of sovereign bonds in the international markets for liability management purposes in the amount of U.S.$1,125 million and the Social Bond in the amount of U.S.$400 million.

The ratio of total public sector aggregate debt to GDP increased from 51.1% as of May 31, 2019, to 60.5% as of May 31, 2020. As of May 31, 2020, interest payments on all debt obligations represented approximately 1.14% of GDP. The Organic Law for Productive Development, which became effective on August 21, 2018, provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply.

The Government's internal debt consists of obligations to both public and private sector entities. As of December 31, 2019, public sector aggregate internal debt was U.S.$15,843.6 million, a 15.4% increase from U.S.$13,733.7 million as of December 31, 2018. This increase was primarily due to the issuance of government bonds to public and private sector entities. As of May 31, 2020, public sector aggregate internal debt was

U.S.$16,853.4 million, a 1.3% increase from U.S.$16,636.7 million as of May 31, 2019. This increase was primarily due to the issuance of government bonds to public and private sector entities.

The total external debt of the public sector in Ecuador was U.S.$41,492.9 million as of December 31, 2019, compared to U.S.$35,729.7 million as of December 31, 2018, and U.S.$31,749.8 million as of December 31, 2017. The increase in public sector external debt between December 31, 2017 and December 31, 2019 was primarily the result of the disbursements of loans to develop various major infrastructure projects, mostly related to hydroelectric energy in Ecuador, to promote energy independence and reduce reliance on non-renewable energy sources, and the issuance of the 2020 Notes, the 2022 Notes, the 2026 Notes, the PAM 2019 Notes, the PAM Second Remarketing Notes, the 2023 Notes, the 2027 Notes, the Second 2027 Notes, the 2028 Notes, and the GSI Loan Facility, the GSI Repo Transaction and CS Repo Transaction.

The total external debt of the public sector in Ecuador was U.S.$41,564.9 million as of May 31, 2020 compared to U.S.$39,081.2 million as of May 31, 2019. This increase in total external debt of the public sector was primarily due to disbursements from multilateral organizations such as the IMF, CAF, IDB, World Bank and the AFD under the financing framework approved by the IMF in 2019, bilateral loans entered into by the Republic with The Export-Import Bank of China and Spain's *Instituto de Crédito Oficial* ("ICO") and the placements of sovereign bonds in the international markets for liability management purposes in the amount of U.S.$1,125 million and U.S.$400 million of its 7.25% partially guaranteed notes due 2035 (the "Social Bonds").

As of May 31, 2020, the three main bilateral lenders to Ecuador were China, France and Spain, with debt levels of U.S.$4,811.3 million (79.9% of the total bilateral debt), U.S.$548.9 million (9.1% of the debt total bilateral) and U.S.$253.4 million (4.2% of total bilateral debt), respectively. As of May 31, 2020, total indebtedness owed to bilateral sovereign entities was U.S.$6,021.6 million.

On January 28, 2020, the Republic entered into a U.S.$70 million loan agreement with Japan International Cooperation Agency to finance a program for the promotion of the energy matrix transition and sustainable economic development which includes the expansion of access to renewable energy, the stabilization of the energy supply and promotion of measures towards energy efficiency. The repayment of the loan by amortized payments begins on January 10, 2027 and, thereafter, payments are due on each January 10 and July 10 until the final payment date. The final payment date of the loan is on January 10, 2045.

On January 30, 2020, the Republic successfully issued U.S.$400 million of its notes due 2035, with a partial guarantee by the Inter-American Development Bank, with a coupon of 7.25% at 100.000% of the purchase price.

On January 30, 2020, the Republic entered into a U.S.$99 million term facility agreement with the Deutsche Bank AG, London Branch to fund certain diverse projects ranging from infrastructure, to social and economic inclusion, tourism and environmental protection. The repayment period begins six months following the date of the agreement and, thereafter, payments are due every three months until the final payment date 36 months after the date of the agreement. The payments are to be made according to the specific amortization schedule contained therein.

On February 24, 2020, the Municipal Autonomous Decentralized Government of the Portoviejo Canton entered into a U.S.$27.5 million loan agreement with the Inter-American Development Bank (the "Portoviejo Agreement") to finance the Portoviejo canton program related to drinking water and sewage. The repayment period begins on August 24, 2025 and, thereafter, amortized payments are due on each February 24 and August 24 until the final payment date. The final payment date is February 24, 2045. The Republic entered into a guaranty agreement on February 24, 2020 pursuant to which the Republic provided a sovereign guaranty for the Portoviejo Agreement.

On August 28, 2018, the Republic and Goldman Sachs International ("GSI") entered into a repurchase transaction (the "GSI Repo Transaction") under a global master repurchase agreement entered into between the Republic and GSI as of August 28, 2018 (the "Master Agreement"), including a negotiated Annex and Confirmation dated as of August 28, 2018, as amended and restated on October 10, 2018 (the GMRA, the Annex and the Confirmation collectively, the "GSI-Ecuador Repurchase Agreement"). Pursuant to the GSI-Ecuador Repurchase Agreement, the Republic sold and transferred to GSI 2020 Notes and 2022 Notes in an aggregate nominal amount of

U.S.$1,201,616,000 and in return received from GSI a purchase price of U.S.$500,000,000, the value of the Republic's residual interest in the repurchase transaction and the interest amounts. Pursuant to the notice of substitution dated May 23, 2019, on May 29, 2019, GSI returned to the Republic 2020 Notes in an aggregate nominal amount of U.S.$701,616,000 and the Republic transferred to GSI 2023 Notes in an aggregate nominal amount of U.S.$688,268,000. On May 31, 2019, the Republic, GSI and ICBC Standard Bank Plc ("ICBCS") entered into an agreement pursuant to which a portion of GSI's interest in the GSI-Ecuador Repurchase Agreement was transferred to ICBCS (the "ICBCS Repo Transaction"). In April 2020, the Republic delivered to GSI an Accelerated Repurchase Notice, pursuant to which GSI returned to the Republic 2022 Notes with a nominal value of U.S.$400,000,000 and 2023 Notes with a nominal value of U.S.$550,614,000, collectively constituting the entirety of the notes delivered to GSI pursuant to the GSI Repo Transaction, and the GSI Repo Transaction and the GSI-Ecuador Repurchase Agreement were terminated. Following receipt, the Republic promptly cancelled such notes and they are no longer outstanding.

In April 2020, the Republic also delivered to ICBCS an Accelerated Repurchase Notice pursuant to which (i) ICBCS returned to the Republic 2022 Notes with a nominal value of U.S.$100,000,000 and 2023 Notes with a nominal value of U.S.$137,654,000, collectively constituting the entirety of the notes delivered to ICBCS pursuant to the ICBCS Repo Transaction, (ii) the Republic paid ICBCS a return amount of U.S.$294,116.23, and (iii) the ICBCS Repo Transaction and the ICBCS-Ecuador Repurchase Agreement were terminated. As a result of a decrease in value of the underlying notes, upon requests by ICBCS pursuant to the agreement, the Republic transferred to ICBCS additional payments totaling a net amount of U.S.$72.2 million (after deducting those additional payments returned by ICBCS to the Republic) from November 21, 2019 through April, 2020. Following receipt of the notes from ICBCS, the Republic promptly cancelled such notes and they are no longer outstanding.

On April 3, 2020, the Republic entered into a U.S.$300 million amendment to the loan agreement dated June 16, 2015 with the Inter-American Development Bank to help minimize the impact that a severe or catastrophic natural disaster could have on the public finances of the Republic. The loan is a contingent loan with the funds being made available to the Republic for 5 years starting from the date of the agreement. If the Republic draws on the commitment, the sum will be amortized across 25 years (the "Final Amortization Date"). The first payment due on the drawn commitment would occur 66 months after the draw-down date with semiannual payments made until the Final Amortization Date.

On April 5, 2020, the Republic entered into a U.S.$20 million loan agreement with the International Bank for Reconstruction and Development to finance the Republic's COVID-19 Emergency Response Project. The repayment period begins on September 15, 2031 and, thereafter, principal payments are due on each March 15 and September 15 until the final payment date. The final payment date of the loan is on March 15, 2048.

On October 29, 2018, the Republic and CS entered into a repurchase transaction (the "CS Repo Transaction") under a global master repurchase agreement entered into between the Republic and CS as of October 29, 2018 (the "Master Agreement"), including a negotiated Annex dated as of October 29, 2018 and the Confirmation dated as of October 29, 2018 (the GMRA, the Annex and the Confirmation collectively, the "October 2018 CS-Ecuador Repurchase Agreement"). Pursuant to the CS-Ecuador Repurchase Agreement, the Republic sold and transferred to CS U.S.$1,187,028,000 nominal amount of 2022 Notes and in return received from CS a purchase price of EUR439,251,515.42, the value of the Republic's residual interest in the repurchase transaction and the interest amounts three business days prior to the date on which they are paid by the Republic on the underlying notes received by CS. Pursuant to the notice of substitution dated August 6, 2019, CS returned to the Republic 2022 Notes in an aggregate nominal amount of U.S.$1,187,028,000 and the Republic transferred to CS 2023 Notes in an aggregate nominal amount of U.S.$610,359,000 and 2026 Notes in an aggregate nominal amount of U.S.$611,870,000. As a result of a decrease in value of the underlying notes, upon CS's request pursuant to the CS-Ecuador Repurchase Agreement, the Republic transferred to CS payments totaling a net amount of U.S.$408.8 million (after deducting those additional payments returned by CS to the Republic) from November 20, 2019 through April, 2020. In April 2020, the Republic delivered to CS an Accelerated Repurchase Notice pursuant to which (i) CS returned to the Republic 2023 Notes with a nominal value of U.S.$610,359,000 and 2026 Notes with a nominal value of U.S.$611,870,000, (ii) the Republic paid CS an amount of U.S.$35,600,000, and (iii) the CS Repo Transaction and the CS-Ecuador Repurchase Agreement were terminated. Following receipt of the notes from CS, the Republic promptly cancelled such notes and they are no longer outstanding.

On May 2, 2020, the IMF Executive Board approved the Republic's request for emergency financial assistance under the IMF's Rapid Financing Instrument for approximately U.S.$643.1 million in order to support the country's balance of payments and its most affected sectors, including the healthcare system and social protection, see "*Public Debt—IMF's Extended Fund Facility and Rapid Financing Instrument*."

On May 5, 2020, the Republic entered into a U.S. $350 million loan agreement with the CAF to mitigate the economic contractions caused by COVID-19 and to finance budget appropriations of the Republic. The repayment period begins on May 5, 2026 with payments being due every six months thereafter until the final payment is made on May 5, 2040.

On May 9, 2020, the Republic entered into U.S.$506 million financing agreement with the International Bank for Reconstruction and Development to finance programs related to the inclusive and sustainable growth development policy including (i) responding to the COVID-19 pandemic, (ii) removing barriers to private sector development and supporting economic recovery and (iii) promoting public sector efficiency and fiscal sustainability. The financing consists of a U.S.$500 million loan and a U.S.$6 million concessional contribution. The repayment period begins on November 1, 2031 and, thereafter, principal payments are due on each May 1 and November 1 until the final payment date. The final payment date of the loan is on May 1, 2048.

On June 5, 2020, the Republic entered into a U.S.$250 million loan agreement with the Inter-American Development Bank to finance the support for the provision of health and social protection services during the COVID-19 pandemic. The repayment period begins on May 15, 2026 and, thereafter, payments are due each May 15 and November 15 until the final payment date. The payments are to be made according to the specific amortization schedule contained therein. The final payment date of the loan is on May 15, 2045.

On June 10, 2020, the Republic entered into a U.S.$280 million loan agreement with the Inter-American Development Bank to support the climate change objectives of the Republic as well as to contribute to the consolidation of the Republic's fiscal and external accounts. The repayment period begins on May 15, 2026 and, thereafter, payments are due each May 15 and November 15 until the final payment date. The payments are to be made according to the specific amortization schedule contained therein. The final payment date of the loan is on May 15, 2040.

The April 2020 Consent Solicitations to Bondholders

On April 17, 2020, holders of more than 91% of the aggregate principal amount of Ecuador's sovereign notes due 2022, 2023, 2025, 2026, 2027, 2028, 2029 and 2030, and holders of more than 82% of the aggregate principal amount of Ecuador's sovereign notes due 2024 (such series of notes, collectively, the "Ecuador Bonds") gave their consent to certain proposed amendments to each of the Ecuador Bonds pursuant to two consent solicitations announced on April 8, 2020 (one of the consent solicitations pertaining to the notes due 2024 and the other to the rest of the Ecuador Bonds), and subsequently amended on April 14, 2020, for the deferral until August 15, 2020 (or August 10, 2020 if a new successor IMF supported program was not publicly announced by the IMF and Ecuador by that date (the "IMF Condition")), of a total of U.S.$651 million of interest payments due under the Ecuador Bonds between March 27, 2020 and July 15, 2020, see "*Public Debt—Debt Obligations—The April 2020 Consent Solicitations to Bondholders."* The IMF Condition is also a condition precedent to the effectiveness of the Invitation, see "*Invitation Memorandum—Terms of the Invitation—Conditions to the Invitation and the Proposed Modifications*."

On May 4, 2020, holders of 98.91% of the aggregate principal amount outstanding of Petroamazonas' notes due 2020, guaranteed by the Republic, gave their consent to certain proposed amendments announced by Petroamazonas, pursuant to a consent solicitation announced on April 28, 2020, including an extension of the maturity date of the notes to December 6, 2021, and a new amortization schedule beginning on January 6, 2021. Petroamazonas' notes were amended accordingly, see "*Public Debt—Debt Obligations—The April 2020 Consent Solicitations to Bondholders."*

The Social Bond Consent Solicitation

On July 20, 2020, the Republic requested consent from the holder of 100% of the Social Bonds, Ecuador Social Bond S.A.R.L, a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg as an unregulated securitisation company (*société de titrisation*) within the meaning of, and governed by, the Luxembourg law of 22 March 2004 on securitisation, as amended from time to time. The Republic requested the holder's consent to make certain proposed amendments to the Social Bonds and the related indenture dated as of January 30, 2020 among the Republic, The Bank of New York Mellon, as Trustee and Registrar, the Bank of New York Mellon, London Branch, as Paying Agent and Account Bank, and the Inter-American Development Bank, as the Guarantor.

If adopted, the proposed amendments will amend the terms of the Social Bond indenture and the Social Bonds to exclude from the events of default set forth in the Social Bonds cross defaults arising from defaults under, and defaults arising from the entering or issuance of judgments and arbitral awards relating to, certain existing sovereign bonds of the Republic. The proposed amendments will not alter the Republic's obligation to pay the principal of or interest on the Social Bonds when due, the interest rate (and accrual thereof), the maturity date therefor or the guarantee by the Inter-American Development Bank.

The IMF's Extended Fund Facility and Current Status of Discussions with the IMF

On March 11, 2019, the executive board of the IMF approved the U.S.$4,200 million arrangement under the IMF's Extended Fund Facility for Ecuador, enabling the disbursement of U.S.$652 million. The arrangement provided for an approximate 3% interest rate and a ten-year repayment plan (with a four-year grace period). According to the IMF's press release of March 11, 2019, "the Ecuadorian authorities are implementing a comprehensive reform program aimed at modernizing the economy and paving the way for strong, sustained, and equitable growth. The authorities' measures are geared towards strengthening the fiscal position and improving competitiveness and by so doing help lessen vulnerabilities, put dollarization on a stronger footing, and, over time, encourage growth and job creation."

On April 30, 2020, Ecuador's Minister of Economy and Finance and the General Manager of the Central Bank of Ecuador presented the IMF with a letter of intent (i) describing the unprecedented and negative economic and social effects that the COVID-19 pandemic has caused in Ecuador; (ii) explaining some of the actions taken and some additional policy actions that Ecuador has undertaken or commit to undertake, (iii) reiterating that Ecuador will comply with the provisions of the IMF's Articles of Agreement, (iv) notifying the IMF that the Extended Fund Facility approved on March 11, 2019 is cancelled with immediate effect; and (v) requesting urgent financial assistance under the IMF's Rapid Financing Instrument ("RFI") with the aim of addressing urgent balance of payments and fiscal needs. Generally, financings under an RFI are aimed at helping member countries address urgent balance of payments needs. The letter of intent also provides the commitment of the Ministry of Economy and Finance of the Central Bank of Ecuador to update their Memorandum of Understanding signed in March 2019, that clarifies the responsibilities for timely servicing of the financial obligations to the IMF.

Following this request, the IMF staff assessed the Republic's qualification requirements, worked with the authorities and prepared a staff report for the IMF's Executive Board. On May 2, 2020, the IMF Executive Board approved Ecuador's request for emergency financial assistance under the RFI for approximately U.S.$643.1 million in order to support the country's balance of payments and its most affected sectors, including the healthcare system and social protection; recognizing that Ecuador's authorities have taken decisive actions to contain the spread of the virus and mitigate the socio-economic impact of the health crisis on households and firms, while prioritizing efforts to protect the poor and vulnerable.

Currently, the Government is working with the IMF staff to define the structure of a new potential successor program, with the aim of bolstering the Republic's economic performance, strengthening the foundations of dollarization, and delivering broad based benefits for the population, with a special emphasis on the most vulnerable sectors. As of the date of this Appendix, the Government has made progress in the negotiations to have a staff level agreement by the Settlement Date (as defined in the Invitation Memorandum).

Disbursements under the other staff-level agreements with multilateral agencies and development banks are also subject to the approval of each organization's executive board. Under these agreements, in May 2019, the Republic entered into two loans with the CAF for U.S.$300 million and U.S.$100 million, respectively; on May 24,

2019, July 3, 2019, July 12, 2019 and July 23, 2019, the Republic entered into four loans with the IDB for U.S.$500 million, U.S.$150 million, U.S.$93.9 million and U.S.$300 million, respectively; and on June 17, 2019 and July 22, 2019, the Republic entered into two loans with the IBRD for U.S.$500 million and U.S.$350 million, respectively.

Pursuant to two consent solicitations announced on April 8, 2020 (one of the consent solicitations pertaining to the notes due 2024 and the other to the rest of the Ecuador Bonds), the notes due 2024 and the Ecuador Bonds, and their respective indentures, were amended on April 14, 2020, for the deferral until August 15, 2020 (or August 10, 2020 if a new successor IMF supported program was not publicly announced by the IMF and Ecuador by that date), of a total of U.S.$651 million of interest payments due under the Ecuador Bonds between March 27, 2020 and July 15, 2020, see "*Public Debt—Debt Obligations—The April 2020 Consent Solicitations to Bondholders."* The IMF Condition is also a condition precedent to the effectiveness of the Invitation, see "*Invitation Memorandum—Terms of the Invitation—Conditions to the Invitation and the Proposed Modifications*."

Statistical Deficiencies

As part of the commitment to transparency of the Ecuadorian authorities and close monitoring of the program, on May 2, 2020, the IMF revealed that it had observed certain shortcomings in the compilation of the Republic's fiscal statistics which contributed to incorrect estimates of the fiscal deficit for years going as far as 2012. Specifically, the revised data indicated a nonobservance of the performance criterion on the non-oil primary balance including fuel subsidies of the non-financial public sector at the end of September 2019 by a margin of U.S.$431 million. The discrepancy resulted in a breach of obligations under Article VIII, Section 5 of the IMF Articles of Agreement. The IMF observed that these statistical deficiencies were unintentional and were found primarily in the data provided by entities outside the central government of the Republic. The IMF concluded that the statistical revision only modestly impacted public debt, that gross debt of the non-financial public sector remained broadly unchanged, and that the occurrence of the statistical deficiencies reflected in part an extended lack of engagement between the Republic and the IMF in the past.

Some of the remedial actions taken by the Government in response to this revelation included (i) strengthening of the institutional arrangement to collect and process fiscal data, with clear assignments of responsibilities and line of accountability for each party involved, (ii) submitting to the National Assembly draft amendments to the Public Planning and Finance Code , geared towards improving the data provision, and (iii) enhancing information sharing among government agencies, including for consistency checks. The Government also reaffirmed their commitment to continuously adopt international best practices towards fiscal data transparency.

Following the IMF's review of the Republic's remedial actions, on May 2, 2020, Ms. Kristalina Georgieva, IMF managing director and chair, stated that "In view of the strong and proactive commitment by Ecuador to provide timely and accurate data to the IMF in the future, the Executive Board decided not to require further remedial action in connection with the breach of obligations under Article VIII, Section 5. As the authorities have taken substantive and appropriate corrective measures since the purchase in December 2019, the Executive Board also granted a waiver for the nonobservance of the quantitative performance criterion."

Selected Economic Indicators

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	(in million U.S.$, except percentages)				
The Economy					
Nominal GDP	104,296	108,398	107,436	26,758	25,876
Real GDP [(1)]	70,956	71,933	71,909	17,958	17,523
Real GDP growth.....	2.4%	1.4%	0.1%	1.1%	-2.4%

	For the Year Ended December 31,			For the Five Months Ended June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
Annual inflation.....	-0.20%	0.27%	-0.07	0.61	0.17

	As of December 31,			As of June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	(in million U.S.$)				
International Reserves[(2)]	2,451	2,677	3,397	4,095	2,666

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	(in million U.S.$)				
Balance of Payments [(3)]					
Exports	19,575.7	22,132.8	22,773.8	5,362.7	5,392.5
Imports	19,294.7	22,358.8	21,748.7	5,350.0	4,765.0
Trade balance.....	281.0	-226.0	1,025.1	12.7	627.5
Services balance.....	-740.3	-688.7	-762.7	-166.8	-222.1
Current account balance.....	-150.5	-1,334.7	-111.8	-265.7	395.4
Current account balance as % of nominal GDP.....	-0.14%	-1.24%	-0.10%	-0.99%	1.53%

	For the Year Ended December 31,		
	2017	**2018**	**2019**
The Economy			
Unemployment Rate[(4)]	4.62%	3.69%	3.84%

	For the Year Ended December 31,			For the Five Months Ended May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	(in million U.S.$, except percentages)				
Non-Financial Public Sector					
Total revenues	33,426	38,024	35,935	15,690	12,938
Total expenditures	38,079	41,393	38,943	15,110	14,053
Surplus/Deficit	-4,653	-3,369	-3,008	580	-1,115
Surplus/Deficit as % of GDP	-4.46%	-3.13%	-2.80%	-	-
Central Government[(5)]					
Total revenues	18,170	26,376	24,699	9,824	8,706
Total expenditures	24,312	30,572	30,057	10,566	12,294
Surplus/Deficit	-6,142	-4,197	-5,359	-742	-2,588
Surplus/Deficit as % of GDP	-5.89%	-3.87%	-4.99%	-	-

Public Debt [(6)]

	As of December 31,			As of May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
	(in million $U.S., except percentages)				
Aggregate Total Debt	46,536	49,463	57,337	55,718	58,418
Aggregate Debt to GDP Ratio[(7)]	44.6	45.2	52.5	51.1	60.5

Source: Data from the Central Bank of Ecuador and the Ministry of Economy and Finance.

(1) Real GDP measures the Gross Domestic Product of Ecuador minus the effect of inflation. The Central Bank of Ecuador uses 2007 as its base year for all real number calculations. GDP Information is from the Central Bank Quarterly Bulletin for the First Quarter of 2020. Percentages of GDP are calculated on the basis of nominal GDP.

(2) Data corresponds to freely disposable International Reserves. Before dollarization, Ecuador kept international monetary reserves with the aim of supporting the exchange rate of the sucre. Currently, Ecuador keeps freely disposable International Reserves, whose variations are explained by the change in the deposits from Ecuador's financial institutions and non-financial public sector institutions held in the Central Bank. Beginning on August 9, 2016, due to methodological revisions, figures were recalculated, due to the existence of amounts registered in the account for obligations with the IMF that should be registered in the external indebtedness account.

(3) Balance of payments data is published by the Central Bank on an annual and quarterly basis.

(4) Unemployment figures are based on figures from the National Institute of Statistics as a percentage of the economically active population.

(5) Central Government figures as of December 31, 2017 are under the old methodology. From 2018, the new methodology considers that the Central Government is composed of the General State Budget, the Ministry of Energy and Non-Renewable Natural Resources the *Cuenta de Financiamiento de Derivados Deficitarios* (Deficit Derivatives Financing Account) and the Development Bank of Ecuador, according to the sectorization of the 2014 Public Finance Statistical Manual.

(6) Debt figures for 2020 and 2019 are based on information from the Ministry of Economy and Finance's monthly Debt Bulletin under the New Methodology.

(7) Debt to GDP percentages are calculated based on the Ministry of Economy and Finance's estimate of projected GDP, which may differ from look-back data from the Central Bank.

THE REPUBLIC OF ECUADOR

Territory, Population and Society

Ecuador is one of the smallest countries in South America, covering an area of approximately 99,054 square miles (256,549 square kilometers). Located on the north-western coast of the continent, it shares a 950-mile border with Peru to the south and the east, a 373-mile border with Colombia to the north, and a 1,452-mile coastline to the Pacific Ocean to the west.

Ecuador encompasses a wide range of geographic areas and climates, including the Pacific coastal plains, the Sierra (consisting of the Andean highland region), the Oriente (characterized by the Amazonian tropical rain forest) and the Galapagos Islands region located in the Pacific Ocean approximately 600 miles from the coast. The Republic is traversed by the equator and lies entirely in the north and south tropical zones. The country's regional climates vary depending on altitude. The climate is tropical in the Pacific coastal plains and the Oriente, predominantly temperate in the Sierra, and maritime in the Galapagos Islands. Ecuador has several active volcanoes, some of which have shown increased activity in the past several years.

On October 26, 1998, Ecuador and Peru signed a comprehensive peace agreement that ended a long-standing territorial dispute concerning territory in the Oriente region. Although the territorial conflict spanned more than a century, the treaty ended multiple hostile encounters between the two governments over the course of the previous four years. As a result of this treaty, the two countries presented joint plans for the development of infrastructure and commerce in the border region.

According to projections based on the 2010 census conducted by the INEC, in 2020, the total population of Ecuador is approximately 17.5 million. Approximately 49.3% of the population live in the Pacific coastal plains, 44.8% live in the Andean highlands, 5.5% in the Oriente and 0.2% in the Galapagos Islands. Approximately 64.0% of the population is urban. Quito, the country's capital, is the largest city with 2.78 million inhabitants and is located in the highlands at 2,850 meters above sea level. Guayaquil, which is located on the coast, is the second largest city and it has a population of 2.72 million. Spanish is the official language, while Quechua and Shuar are considered official languages for intercultural relations.

Historically, Ecuador has been a Catholic country and while the country remains predominantly Catholic, evangelical Christianity has become increasingly popular.

The following chart sets forth certain demographic characteristics for Ecuador in the time period specified:

Demographic Characteristics

	2017	2018	2019	2020
Total population (*million*)	16.8	17.0	17.3	17.5
Female (%)	50.5	50.5	50.5	50.5
Male (%)	49.5	45.5	49.5	49.5
Urban (%)	63.7	63.8	63.9	64.0
Rural (%)	36.3	36.2	36.1	36.0
Functional age groups (%)				
Child (0–14)	29.9	29.5	29.1	28.7
Adult (15–64)	63.1	63.3	63.6	63.9
Elderly (65+)	7.0	7.2	7.3	7.5
Demographic Indicators				
Average Annual Growth (%)	1.5	1.5	1.4	1.4
Birth Rate (per thousand) [(1)]	17.4	17.2	n/a	n/a
Infant Mortality Rate (per 1,000 live births)	9.9	10.1	n/a	n/a
Fertility Rate (per woman)	n/a	n/a	n/a	n/a
Average Life Expectancy (*age*)[(1)]				
Female	79.5	n/a	n/a	n/a
Male	73.9	n/a	n/a	n/a
Overall	76.7	n/a	n/a	n/a

Source: Based on data from the Instituto Nacional de Estadística y Censo ("National Iinstitute of Statistics" or "INEC"). 2020 figures are based on the INEC's projections as posted on their website www.ecuadorencifras.gob.ec, last visited on June 17, 2020.

(1) Figures for 2019 and 2020 of Birth Rate (per thousand) and Average Life Expectancy (age) are not yet available.

The following table sets forth certain comparative information for Ecuador relative to certain countries in South America, Central America and the United States:

Selected Comparative Social Statistics

	Ecuador	Bolivia	Paraguay	Honduras	Guatemala	Costa Rica	United States
Average life expectancy[1]	77.5	70.4	77.9	74.6	72.4	79.2	80.3
Adult literacy rate[2]	92.8%	92.5%	94.0%	87.2%	81.3%	97.9%[2]	n/a
Mean years of schooling[3]	8.8	8.7	8.7	6.3	6.6	8.7	13.5
Population below poverty line[4]	21.5%[4]	38.6%	22.2%	29.6%	59.3%	21.7%	15.1%

Source: Data based on Central Intelligence Agency (World Factbook) and UNESCO data (last accessed online on June 2020) as indicated.

(1) Based on data from Central Intelligence Agency; The World Factbook.

(2) Based on data from UNESCO (last accessed online on June 2020). Latest available data for Bolivia is from 2015, for Guatemala, from 2014, for Ecuador, from 2017; for the other countries, from 2018. Note Costa Rica's adult literacy rate for 2018 is a UIS estimate.

(3) Based on data from UNESCO (last accessed online on June 2020). Latest available data for Ecuador is from 2017, for Bolivia, from 2015, from Guatemala, from 2014; for the other countries, from 2018.

(4) Based on data from Central Intelligence Agency; The World Factbook. Latest estimates available for countries according to the following: Ecuador, 2017; Bolivia and Paraguay, 2015; Honduras, Guatemala, and Costa Rica, 2014; United States, 2010.

Form of Government

Ecuador is a republic, with powers divided among five branches of government: executive, legislative, judicial, transparency and social control, and electoral branches. The 2008 Constitution provides for concurrent four-year terms of office for the President, vice president, and members of the National Assembly. Presidents and legislators may be re-elected. Citizens must be at least 16 years of age to vote.

The President is the head of Government and head of state, and is elected by direct popular vote for a four-year term. The President's duties include the enforcement of the Constitution, the establishment of economic, trade and foreign policy, and the enforcement of domestic law and order. The President is also commander-in-chief of the armed forces and appoints ministers and heads the Government's cabinet. Former President Correa came into office in January 2007 under the previous Constitution, was re-elected in general elections held in February 2013, and finished his second term under the 2008 Constitution on May 23, 2017. President Moreno assumed the post of President of Ecuador on May 24, 2017 for a four-year term.

The 2008 Constitution establishes a single chamber national assembly elected through direct popular vote for a four-year period. The National Assembly has 137 representatives, of which 15 are elected at the national level, two are elected per province, one additional provincial representative for every 200,000 inhabitants above 150,000 per province threshold, and six for Ecuadorians living abroad.

Pursuant to Article 149 of the 2008 Constitution, the vice president performs all functions assigned to the post by the President. On August 3, 2017, President Moreno relieved the then vice president Jorge Glas of his official duties but he officially retained the post of vice president. On October 4, 2017, President Moreno appointed the Minister of Urban and Housing Development, María Alejandra Vicuña Muñoz, as interim vice president. On December 13, 2017, the former vice president Glas received a six-year prison sentence in connection with the unlawful association investigation related to Odebrecht. After confirmation that the former vice president could no longer retain his post as vice president on January 6, 2018, the National Assembly elected María Alejandra Vicuña Muñoz as the vice president of Ecuador until 2021. On December 3, 2018, President Moreno relieved vice president María Alejandra Vicuña Muñoz of her official duties amidst an undergoing corruption scandal that spurred a criminal investigation into her vice presidency. The day after, on December 4, 2018, the then vice president resigned her post. On December 6, 2018, a shortlist of three candidates proposed by the President was submitted to the National Assembly. On December 11, 2018, the National Assembly appointed economist Otto Ramón Sonnenholzner Sper as the new vice president of Ecuador. On July 7, 2020, Otto Ramón Sonnenholzner Sper resigned his post as vice president of Ecuador and the President sent on July 10, 2020 a list of eligible candidates to the National Assembly for the appointment of a new vice president. On July 17, 2020, the National Assembly designated Mrs. María Alejandra Muñoz as new vice president of the Republic.

The following table shows the composition of the National Assembly as of the date of the Invitation Memorandum:

Political Party	Number of Members
Alianza PAIS	42
Independientes	8
Izquierda Democrática	1
Movimiento CREO	26
Movimiento SUMA	5
Movimientos Provinciales	4
Pachakutik	5
Partido Social Cristiano	16
Sociedad Patriótica	2
Other political groups	28
Total	**137**

Source: National Assembly.

Ecuador is administratively divided into 24 provinces and 221 municipalities. Each province is governed by a prefect who is popularly elected. The Government also designates a governor for each province that coordinates and administers the initiatives of the Government; while mayors, who are elected by popular vote, govern municipalities. Each of the 24 provinces has a popularly elected provincial council headed by a prefect. A municipal council is responsible for the government of each municipality. All provincial and municipal officials are popularly elected to four-year terms. Provincial and municipal elections were held on March 24, 2019.

The judicial system consists of the National Court of Justice; *Cortes Provinciales de Justicia* ("Provincial Courts of Justice"); and *Tribunales Unidades Judiciales* ("First Instance Courts"). The National Court of Justice is composed of 21 judges appointed by the *Consejo de la Judicatura* ("Judiciary Council"), which is in charge of regulating, administering and auditing the judicial branch. The Judiciary Council is comprised of nine standing members with their respective alternates, who perform their duties for a six-year term of office and cannot be reelected. The designation of the standing members of the Judiciary Council and their alternates takes place by a competitive merit-based examination process, subject to citizen oversight. Issues relating to the 2008 Constitution, including the modification or amendment thereof, are reserved to the Constitutional Court. The Constitutional Court is composed of nine members who are selected by a commission composed of eight members appointed from the various branches of government. Each member of the Constitutional Court is appointed to a nine-year term and may be re-elected at the end of their term.

The 2008 Constitution recognizes the possibility for indigenous communities to exercise their judicial authority in accordance with their traditions and their own sets of rules. The exercise of this authority must comply, and must not conflict with, the rights set forth by the 2008 Constitution and by international treaties ratified by the Republic.

The 2008 Constitution also creates two additional branches of government. *La Función de Transparencia y Control Social* (the "Transparency and Social Control Branch") is intended to serve as the auditor of the Government and of private entities that contribute to the Republic's general welfare. It is comprised of the Office of the Comptroller General, the Counsel of Citizen Participation and Social Control, various superintendent organizations including the *Superintendencia de Bancos* ("Superintendent of Banks"), and the *Defensoría del Pueblo* (the "Public Defender"). The Counsel of Citizen Participation and Social Control appoints the chief executive of each superintendent organization, Office of the Comptroller General, the Public Defender and the Attorney General. It is also the entity principally responsible for corruption investigations and establishing citizens' committees for public consultation prior to the enactment of laws according to the 2008 Constitution. The purpose of these citizens' committees is to increase citizen participation and involvement in the democratic process and create an informed population who perform an active role in the enactment of laws.

The purpose of the *Función Electoral* (the "Electoral Branch") is to provide oversight for the Republic's political parties and elections. The Electoral Branch is comprised of the National Electoral Council and the Electoral Dispute Settlement Court. The National Electoral Council organizes and oversees elections to ensure transparency and compliance with election law, supervises the activities of political parties, and establishes a civil registry. The Electoral Dispute Settlement Court hears and resolves, among others things, disputes regarding campaign finance violations and settles election results appeals.

Review and Audit by the Office of the Comptroller General

Under the General Comptroller Law, the Office of the Comptroller General has the authority to examine the use of public resources by both public and private institutions. Following the amendment to the 2008 Constitution on December 21, 2015, the Office of the Comptroller General does not have the authority to audit the management of public resources under principles of effectiveness, efficiency and economy (*auditoria de gestión*), but it may still conduct a legality, financial and/or administrative audit. More specifically, according to Article 19 of the General Comptroller Law, the Office of the Comptroller General has the authority to carry out special audits to verify limited aspects of governmental activities under these parameters.

In July 2017, the Office of the Comptroller General headed by Dr. Pablo Celi announced pursuant to *Acuerdo* 024-CG-2017 its intention to conduct a special audit on the legality, sources and uses of all the internal and external debt of the Republic incurred between January 2012 and May 2017, as authorized by Ecuadorian law to examine acts of public entities. For more information on this audit, see "*Public Debt—Review and Audit by the Office of the Comptroller General*."

Measures by President Moreno

Measures from May 2017 through December 2019

On May 23, 2017, President Moreno announced the members of his cabinet, composed of 23 ministers, 12 secretaries and 8 managers and directors of state-owned companies. President Moreno's cabinet included former ministers under former President Correa's cabinet such as the Minister of Education, the Minister of Health and the Minister of the Interior.

On June 22, 2017, through executive decree No. 50, President Moreno created the Production and Taxation Advisory Council which is headed by the Ministry of Production, Foreign Trade and Investment and establishes a dialogue between the public and private sectors. The Production and Taxation Advisory Council has an executive committee (the "Advisory Council Executive Committee") in charge of channeling and evaluating the proposals and recommendations developed through dialogue. Six delegates of the executive branch and six delegates of the private and economic and solidarity sectors, the latter of which is composed of the cooperative, associative and community organizations, form the Advisory Council Executive Committee.

On August 7, 2017, President Moreno announced the implementation of austerity measures, including that real property owned by the public company "Inmobiliar" would be offered for sale and the proceeds invested in the Housing for All Program to generate employment and grant access to housing to the poorest families in the country. The Housing for All Program includes the construction of 325,000 houses between 2017 and 2021 out of which 191,000 will be granted to the public free of cost and 134,000 will be financed at a low cost. Construction of housing under the Housing for All Program is expected to generate more than 136,000 jobs. On January 30, 2020, the Republic issued the Social Bond, the proceeds of which are being used in connection with the Housing for All Program (see "*Public Debt—Debt Obligations—Social Bond*.").

On September 1, 2017, President Moreno issued a decree (the "Austerity Decree") establishing new optimization and austerity measures focusing on the reduction of labor, goods and services costs. As part of the measures for the reduction of labor costs, the Austerity Decree imposes, among others, a hiring freeze for Government employees, the unification of the salary scales of all public employees (with a 10% reduction in the salary of those with monthly salaries between U.S.$2,368 and U.S.$6,261), the creation of a pool of workers that may be reassigned to other public entities and a limitation on overtime wages. Additionally, as part of the measures for the reduction of expenditure in goods and services, the Austerity Decree imposes, among others, a prioritization of hiring local workers, the sale of luxury vehicles, a restriction on the purchase of new vehicles, a limitation on travel expenses and the sale of unproductive real property.

On October 11, 2017, President Moreno announced a number of economic measures intended to reactivate the economy, protect dollarization and finance social programs. As a result, on November 29, 2017, the National Assembly approved the *Ley Orgánica para la Reactivación de la Economía, Fortalecimiento de la Dolarización y Modernización de la Gestión Financiera* (the "Organic Law for the Reactivation of the Economy, Strengthening of Dollarization and Modernization of Financial Management"). On December 11, 2017, President Moreno partially

objected to the passing of the law. On December 29, 2017, the law was published and became effective after undergoing certain amendments pursuant to President Moreno's objection. see "*The Ecuadorian Economy—Economic and Social Policies.*"

On April 2, 2018, President Moreno presented an economic plan to (i) stabilize Ecuador's fiscal profile, (ii) restructure and reduce the size of the Government and enact institutional austerity measures, (iii) increase exports and sustain dollarization, and (iv) stimulate the economy through measures strengthening the private sector. This plan includes, among other measures, the merging of certain Ministries.

On August 21, 2018, President Moreno announced a series of austerity measures as part of the new Plan of Prosperity, the main purpose of which is to reduce government spending by U.S. $1.3 billion annually and increase revenue generation, in order to reach primary fiscal balance and a global fiscal balance below 1% by 2021. With a portion of the savings derived from the measures discussed above, the plan is to expand social services to families in need of financial support, and to provide funding for small enterprises such as crafts, small industries, agriculture and construction. The Plan of Prosperity focuses on (i) fiscal responsibility and public sector, (ii) support for low-income Ecuadorians, and (iii) Central Bank reform. Under the fiscal responsibility and public sector prong, the Plan of Prosperity seeks to (a) reduce the number of government agencies through mergers and closures, (b) reduce government spending on transportation and security of senior officials, (c) reduce public procurement to a minimum, with increased transparency and control, (d) implement, together with the assistance of the CAF and the IDB, a corporate reform with respect to state-owned companies including privatizations, mergers and liquidations, as well as internal changes in public-sector companies to align salaries to those of private sector employees, (e) update the country's legal and institutional framework for public-private partnerships to include major infrastructure projects, (f) continue to enhance Ecuador's credibility in the international capital and financial markets, as well as increase access to funding sources and improve the country's debt profile, (g) maintain the current oil output target of 700,000 bpd and further invest in the mining sector, and (h) continue to analyze the allocation of fuel subsidies.

The third prong of the Plan of Prosperity relates to the reform and strengthening of the Central Bank in order to create a reliable and robust monetary authority, with sufficient assets to provide liquidity for economic growth. This reform will include a plan for the full repayment of government debts owed to the Central Bank within five years, as well as an exchange, for domestic bonds, of certain illiquid shares in public-sector banks that were previously transferred to the Central Bank in lieu of repayment.

On August 23, 2018, the *Consejo de Participación Ciudadana y Control Social Transitorio* (the "Transitional Citizen Participation and Social Control Council") resolved to prematurely end the tenure of all justices of the Constitutional Court based on alleged irregularities in their appointment and lack of judicial independence and impartiality, and declared a 60-day recess period from the day of approval of the rules that would be followed to appoint the new members of the Court. The Transitional Citizen Participation and Social Control Council finished conducting public evaluations and examinations on 23 candidates in January 2019, of which the nine candidates with the highest scores were appointed to the Court on February 5, 2019. Members of the Constitutional Court are appointed for a nine-year period.

For the second time in his presidency, on November 22, 2018, President Moreno requested his entire cabinet to submit their resignation. On November 25, 2018, President Moreno ratified the Minister of Economy and Finance, Richard Martínez, and the Minister of Foreign Affairs and Human Mobility, José Valencia. On December 3, 2018, President Moreno appointed seven new cabinet members including the new ministers of Education, Tourism, and for the Environment, as well as four other Secretaries of State.

On December 21, 2018, President Moreno issued Decree 619 eliminating the subsidy on certain types of gasoline and diesel, consequently increasing their prices for consumers. On January 7, 2019, following negotiations with representatives of the transportation sector, and in order to prevent a surge in general consumer prices, the Government agreed to keep in place the subsidy on automotive diesel. On January 12, 2019, the Government agreed with the shrimp industry to establish a compensation system for shrimp producers to minimize the effects of Decree 619 on the shrimp sector. Under Decree 619, the base price of high-octane gasoline "super" for the automotive sector is determined on a monthly basis by the Empresa Pública de Hidrocarburos del Ecuador EP Petroecuador ("Petroecuador") based on the international WTI price per barrel of crude oil plus average costs, including transportation, storage, commercial and other costs. At a consumer level, retailers will set their selling price based

on market conditions. Under Decree 619, however, the price of diesel for the automotive sector remained fixed at U.S.$1.037.

On December 21, 2018, President Moreno issued decree No. 624 reducing by 10% and 5% the salaries of high and mid-level government officials, respectively.

On May 13, 2019, President Moreno issued decree No. 732 eliminating SENPLADES and replaced it with the newly-formed Technical Secretariat for Planning, which secretariat is now responsible for across-the-board national planning.

On October 1, 2019, President Moreno issued Decree 883 expanding the scope of the liberalization of prices for hydrocarbons by eliminating the subsidy on certain types of gasoline and diesel and thereby increasing the prices for these fuels. Following the elimination of the subsidies, prices for gasoline type "extra" and diesel for the automotive sector began to be set on a monthly basis by Petroecuador based on average prices and costs.

On October 3, 2019, various groups organized protests relating to the elimination of the subsidies and increase in prices. On October 14, 2019, President Moreno issued Decree 894 terminating Decree 883, reversing the elimination of the subsidies and ordering the creation of a new policy on subsidies for hydrocarbons. Decree 894 did not set a deadline to implement this new policy. By reversing the elimination of the subsidies, Decree 894 returned the price of gasoline and diesel to the prices existing on October 1, 2019. Decree 894 commits the Government to design a more targeted subsidy policy through a new decree. On May 19, 2020, President Moreno issued decree No. 1054 ("Decree 1054") which allows the price of oil in Ecuador to fluctuate based on the price in the international market of the WTI, while placing a price band that would not allow price fluctuations greater than 5% at service stations. For more information on Decree 1054, see "*—The 2020 Global Crisis*."

On October 18, 2019, President Moreno presented before the National Assembly the draft Law on Economic Development, aimed at reforming several of the Republic's tax and financial laws. Specifically, the Law on Economic Development's objective was to, on the one hand, increase revenue by U.S.$450 million by progressively taxing corporations and individuals with higher yearly income, and imposing new taxes such as a tax on plastic bags and e-cigarettes; and in addition introducing a number of measures to create (a) a more efficient tax system for taxpayers and (b) reforming certain aspects of Ecuador's financial laws and regulations to, among other objectives, (i) enhance fiscal sustainability establishing stricter budget controls and (ii) strengthen dollarization by enhancing the Central Bank's autonomy. After the protests held in October 2019, President Moreno modified the proposed draft Law on Economic Development to remove the elimination of gas subsidies as part of the draft law.

On November 17, 2019, the National Assembly voted to reject the draft Law on Economic Development. In response, on November 21, 2019, President Moreno presented the draft Organic Law on Tax Simplification, replacing the draft Law on Economic Development with respect to certain aspects of the intended tax reform. The Organic Law on Tax Simplification was first approved by the National Assembly on December 9, 2019, and after a Presidential partial veto, it was finally approved on December 30, 2019, and became effective on December 31, 2019. The Organic Law on Tax Simplification eliminates income tax advances, VAT and Special Consumption Tax ("ICE") on certain products and services (e.g. certain web services, and electric and public vehicles), provides for 100% debt relief of interest and charges on certain student loans, a progressive taxing calendar for corporations and individuals with higher yearly income, and imposes new special taxes on supermarket plastic bags, certain mobile services and certain beers, among other tax reforms targeting certain micro-entrepreneurs, immigrants, exporters, agricultural manufactures, and others.

As part of the Government's plan to restructure and reduce the size of the Government and enact institutional austerity measures, since May 2017, President Moreno has decreed and completed the elimination and merger of numerous government entities including ministries and secretariats and the creation of some new ones; salaries of high and mid-level government officials have been reduced by 10% and 5% of the salaries of, respectively, with further temporary salary reductions implemented as part of the measures taken to deal with the COVID-19 crisis; and, the numbers of employees has been reduced by the layoff of thousands of employees in the public sector belonging to the executive branch, the judicial branch, the legislative branch, and the public entities. Most of these layoffs consisted of employees under temporary or occasional—related to a particular need of the employer not in the ordinary course of business—employment contracts.

The 2020 Global Crisis

The global pandemic caused by COVID-19 has severely impacted the health and welfare of the people of Ecuador. The first confirmed case of the virus in Ecuador was registered on February 29, 2020. Since then, Ecuador has been one of the hardest hit countries in the world in proportion to its total population, estimated at 17.3 million, with 56,432 confirmed cases and 4,527 deaths from the virus as of June 30, 2020. In addition to the health crisis, the pandemic has been an unprecedented external shock affecting severely Ecuador's economy. The sudden collapse of global crude oil prices, a virtual halt in tourism, and delays in shipping of exports of perishable goods such as flowers, the unexpected rupture of two of the country's main oil pipelines, among other circumstances, are having a severe impact on the economy of Ecuador.

On March 12, 2020, President Lenín Moreno declared a national State of Emergency, followed by a nationwide lockdown order, excluding essential services and activities, on March 15, 2020, the closure of Ecuador's borders on March 17, 2020, and the declaration of a national curfew on March 21, 2020. On April 30, 2020, the Government announced that despite these measures, the Republic's healthcare system was under severe pressure, lacking essential medical resources including medical equipment and supplies, testing kits, protective garments, and additional medical staff. On May 5, 2020, President Moreno ordered the extension of the State of Emergency for 30 days. On June 15, 2020, President Moreno ordered a second extension of the State of Emergency for an additional 60 days. Further, because the Ecuadorian economy has a significant informal sector, the measures adopted by the Government to prevent the spread of COVID-19 have significantly impeded activity in this sector. As a result, the percentage of the population falling into poverty is increasing as of the date of the Invitation Memorandum and this percentage is expected to continue increasing during the following months, see *"The Ecuadorian Economy—Employment and Wages.*"

On March 9, 2020, international oil prices dropped to their lowest levels since the Gulf War in 1991. The WTI price per barrel of crude oil, which is the benchmark reference for Ecuadorian crude oil, hit a low of U.S.$29.78 on that day. The WTI price per barrel of crude oil continued to decline, reaching U.S.$22.41 per barrel at the close of the trading session on April 13, 2020, and closing at U.S.$12.41 per barrel on April 20, 2020. As of June 30, 2020, the WTI price per barrel of crude oil closed at U.S.$39.27 per barrel. As a result of the decline in the prices of oil, on March 10, 2020, President Moreno announced budget cuts amounting to approximately U.S.$1,400 million of which U.S.$800 million relate to goods and services and U.S.$600 million relate to capital goods. For the five months ended on May 31, 2020, oil revenues in the consolidated non-financial public sector amounted to U.S.$2,134 million, a 37% decrease compared to U.S.$3,392 million for the same period of 2019. For the five months ended on May 31, 2020, Central Government oil revenues amounted to U.S.$2,051 million, a 10.2% decrease compared to U.S.$2,285 million for the same period in 2019.

As a result of the decline in international crude oil prices, on May 19, 2020, President Moreno issued Decree 1054 which allows the price of oil in Ecuador to fluctuate based on the price in the international market of the WTI, while placing a price band that would not allow price fluctuations greater than 5% at service stations. Decree 1054 also repealed the fixed margins that had been established by Decree 338 for diesel 2, premium diesel, extra gasoline and extra gasoline with ethanol. Beginning in May 2020, the price for diesel 2 and premium diesel has been fixed at U.S.$1.00 per gallon and the price for extra gasoline with and without ethanol has been fixed at U.S.$1.75 per gallon. On July 1, 2020, these prices became subject to the pricing band established pursuant to Decree 1054. This pricing mechanism is to be monitored on a monthly basis by the Republic. The MEF together with the Ministry of Energy and Non-Renewable Natural Resources must prepare and present a biannual report to President Moreno regarding the application of the pricing band. Decree 1054 does not provide guidance on the content of such biannual report.

Among some of the measures taken by the Government to alleviate the effects of the crisis and the restrictions imposed by the country's State of Emergency during the months of March through June 2020 are the following:

- *Containment measures to limit the spread of the virus.* These measures included closing schools and universities, public spaces and non-critical commercial activities, halting public transport, and imposing a nationwide curfew. Ecuador has shut all its borders, and the Government requested the military to lead efforts to contain the spread of COVID-19 in the province of Guayas where 75% of confirmed cases of COVID-19 are concentrated, as a zone of national security, to enforce confinement measures.

- *Fiscal policy to protect the real economy against the confluence of shocks*. On March 19, 2020, the authorities announced several measures to support the population and businesses, including a deferral of payroll contributions, a monthly U.S.$60 cash transfer for April and May to approximately 400 thousand poor families, distribution of food baskets, and credit lines for small and medium-size businesses. To shelter the budget from the sharp fall in oil prices and help protect fiscal sustainability, President Moreno also announced a series of tightening fiscal measures on March 23, 2020, including both revenue-enhancing measures and expenditure cuts, amounting to approximately 2% of GDP. The package also included approximately 2.5% of GDP in new financing and refinancing of some current obligations. Measures to boost revenue were also implemented, including an increase in the withholding tax for banks, state-owned enterprises and other commercial corporations and a temporary increase in import duties.

- *Monetary and financial policy measures to maintain macro-economic stability*:

    - On June 8, 2020, the Monetary and Financial Policy and Regulation Board issued temporary modifications to the Monetary, Financial, Securities Code and Insurance Resolutions to support the private sector including deferrals of credit obligations and a requirement of banks to add loss provisions on their gross lending portfolio during 2020. Finally, in order to alleviate liquidity constraints for the financial sector, the Monetary and Financial Policy and Regulation Board has approved a reduction in the annual contribution by private sector financial institutions to the Liquidity Fund by 3% from 8% to 5% of eligible deposits. As of the date of the Invitation Memorandum, the Government estimates that this measure has freed approximately U.S.$940 million in liquid resources for the financial system.

    - Separately, on May 19, 2020, the Government announced the *Reactívate Ecuador* program to provide a total of U.S.$1,150 million in financing for micro, small and medium-sized businesses with funding from the World Bank, the IMF and other multilateral organizations. In its first phase, the program received a total of U.S.$500 million in disbursements from the World Bank (U.S.$200 million), the IMF (U.S.$100 million) and other sources (U.S.$200 million). The program started on May 25, 2020, with loans to qualified business owners under the program ranging from a 12- to 36-month maturity with a six-month grace period. Banco del Pacífico, the bank through which the funds are being channeled to participants in the program, reported that as of June 30, 2020, 2,487 individual applications for funding had been made, amounting to U.S.$152 million, out of which U.S.$42 million had been approved. The Government announced that as of May 26, 2020, 300,000 applications had been made online. Under the *Reactívate* program, the Republic is expected to receive U.S.$93.8 million from the IDB earmarked to provide funding to the CONAFIPS, U.S.$260 million approved by the World Bank Board of Directors to provide funding to the CFN, and U.S.$300 million from the DFC earmarked for the creation of a private fund for the Ecuadorian financial sector.

As a result of the crisis caused by the COVID-19 outbreak and the decline in international oil prices, Ecuador's public finances have come under critical strains due to lower tax collections and oil revenues and surging crisis-related healthcare and social assistance outlays. With much of the economy in quarantine and under a lockdown order for a significant period of time, the overall impact has resulted in urgent and sizable balance of payment needs.

As of the date of the Invitation Memorandum, the World Bank projects that Ecuador's 2020 GDP will contract by 7.4% compared to the 2019 GDP. As of April 2020, the IMF projected that Ecuador's 2020 GDP will contract by 6.3% compared to the 2019 GDP. As of the date of the Invitation Memorandum, the Central Bank of Ecuador projects that the 2020 GDP will be U.S.$95,512 million, compared to the U.S.$107,436 million in 2019, which would represent an 11.1% decrease. The fiscal deficit for the year 2020 is projected at U.S.$9,400 million (representing 9.8% of the projected 2020 GDP) compared to the U.S.$5,359 million fiscal deficit for 2019. As of May 2020, according to the Ministry of Labor, approximately 115,000 jobs have been lost in the private sector and 3,000 in the public sector, in each case during 2020, and according to President Moreno, the Republic's 2020 revenues through May 19, 2020, were approximately U.S.$12,000 million lower than projected before the crisis. In this context, the Republic has requested financial support amounting to U.S.$2,909 million from multilateral organizations such as the IMF, the World Bank, the IDB and the CAF. As of the date of the Invitation Memorandum, the Republic has received a total of U.S.$1,832 million in external financing to help combat the

effects of the crisis, see "*Public Debt.*" As of April 2020, the Government announced it had managed to cut its expenses by U.S.$1,400 million and on May 19, 2020, it announced its plans to further cut public expenses by U.S.$4,000 million.

As of the date of the Invitation Memorandum, the Republic estimates that the total aggregate financing needs for 2020 are approximately U.S.$15,648 million, of which (i) 23.3% is expected to come from agreements with multilateral institutions (totaling approximately U.S.$3,645 million), (ii) 17.9% is expected to come from bilateral creditors (totaling approximately U.S.$2,798 million, including approximately U.S.$1,000 million which is expected to come from CDB, approximately U.S.$1,400 million which is expected to come from a syndicate of Chinese lenders led by ICBC and approximately U.S.$398 million which is expected to come from other bilateral creditors), (iii) 3.5% is expected to come from other private sector and commercial loans (totaling approximately U.S.$544 million) and (iv) 16.6% is expected to come from domestic funding (totaling approximately U.S.$2,627 million). In addition, if the invitation pursuant to the Invitation Memorandum is successful, the Republic expects that there would be savings of approximately U.S.$1,361 million for 2020, thus reducing the remaining financing gap to approximately U.S.$4,673 million. The resources from the potential IMF successor program, additional multilateral funding, internal debt restructuring and the contemplated fiscal consolidation measures will represent the major contribution to address this financing gap.

Data Breach

On September 11, 2019, an internet security firm issued a report that stated that it had uncovered a major data breach of personal information of Ecuador's population contained on an unsecured server maintained by a marketing firm. According to the report, the breach may involve personal information with respect to the entire Ecuadorian population and information leaked included information contained in government registries and records, including identification numbers and records and home addresses. The Attorney General and other government officials have confirmed the breach and launched an investigation. In response to the breach, on September 19, 2019, the President submitted to the National Assembly a draft law on protection of personal data, currently under review and debate. On October 3, 2019, the National Assembly's International Relations Commission approved initiating an investigation into the data breach.

THE ECUADORIAN ECONOMY

Gross Domestic Product

Real GDP for 2018 was U.S.$71,871 million, compared to U.S.$70,956 million in 2017, representing a 1.3% increase in real terms. This increase was mainly due to a 2.9% increase in government expenditure as a final consumer, a 2.7% increase in household expenditure as final consumers, a 2.1% increase in gross fixed capital formation, and a 0.9% increase in exports of goods and services. In 2018, the nominal GDP reached U.S.$107,562 million representing a 3.1% increase from U.S.$104,296 million in 2017. Inflation increased from -0.20% for the 12-month period ended December 31, 2017 to 0.27% for the 12-month period ended December 31, 2018. This increase was primarily due to an increase in each of the prices of alcoholic beverages and tobacco by 2.43%, health products by 2.15%, and other goods and services by 1.79%.

Real GDP for 2019 was U.S.$71,909 million, compared to U.S.$71,871 million in 2018, representing a 0.1% increase in real terms. This increase was mainly due to an increase in exports by 5.2% and household consumption by 1.5%, despite an increase in imports of 1.6%. Nominal GDP for 2019 reached U.S.$107,436 million representing a 0.1% decrease from U.S.$107,562 million for 2018. This decrease was mainly due to the decline of government final consumption and gross fixed capital. According to the Central Bank, inflation decreased from 0.27% for the 12-month period ended December 31, 2018 to -0.07% for the 12-month period ended December 31, 2019. This decrease was primarily due to five of twelve groups of goods and services, which account for 50.60%, having negative variations. Of these five, “clothing and footwear” (-2.13%) and “furniture, household items and ordinary home maintenance” (-1.44%) had the highest variation. Of the remaining seven groups which account for 49.40%, the highest positive variations were recorded by “education” (2.99%) and “health” (1.37%).

Real GDP for the first three months of 2020 was U.S.$17,523 million, compared to U.S.$17,958 million for the first three months of 2019, representing a 2.4% decrease in real terms. This decrease was mainly due to the decline of gross fixed capital by 6.0%, government final consumption by 5.0% and household consumption by 0.6%. Nevertheless, imports increased by 0.2% during the same period when compared to 2019. Nominal GDP for the first quarter of 2020 reached U.S.$25,879 million representing a 3.3% decrease from U.S.$26,758 million for the same period in 2019. This decrease was mainly due to the decline of gross fixed capital, government final consumption and household consumption. According to the Central Bank, inflation decreased from 0.61% for the 12-month period ended June 30, 2019 to 0.17% for the 12-month period ended June 30, 2020. This decrease in the rate of inflation was the result of the increase in the proportion of negative price variations among the different groups of products used to measure inflation compared to the previous period, with “clothing and footwear” (-4.26%) and “recreation and culture” (-2.72%) showing the highest negative variations, despite “food and non-alcoholic beverages” (3.25%) and “health” (2.25%) having the highest positive variations for the period.

In 2019, manufacturing was the largest sector of the economy measured by percentage of GDP (13.02%), followed by construction (10.85%), commerce (9.55%), social services (8.98%) and agriculture (7.87%). In the first quarter of 2020, manufacturing was the largest sector of the economy measured by percentage of GDP (13.67%), followed by construction (10.52%), commerce (9.75%), social services (8.78%) and agriculture (8.50%).

Real and Nominal GDP

(in millions of U.S. dollars, except percentages)

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2017	**2018**	**2019**	**2019**	**2020**
Real GDP (in millions of U.S.$)	70,956	71,871	71,909	17,958	17,523
Real GDP growth	2.4%	1.3%	0.1%	1.1%	-2.4%
Nominal GDP	104,296	107,562	107,436	26,758	25,876

Source: Based on figures from the Central Bank Quarterly National Accounts for the First Quarter of 2020.

Nominal GDP by Economic Sector [1]

(in millions of U.S. dollars, except for percentages)

	For the Year Ended December 31,						For the Three Months Ended March 31,	
	2017	% of GDP	2018	% of GDP	2019	% of GDP	2019	2020
Manufacturing[2]	13,866	13.29	14,223	13.12	13,963	13.00	3,485	3,539
Construction	12,087	11.59	12,239	11.29	11,691	10.88	2,903	2,723
Petroleum and mining	5,024	4.82	6,049	5.58	6,033	5.62	1,454	1,280
Trade (commerce)	9,960	9.55	10,452	9.64	10,146	9.44	2,554	2,524
Agriculture	8,533	8.18	8,791	8.11	8,368	7.79	2,105	2,200
Social services	9,280	8.90	9,888	9.12	9,739	9.06	2,403	2,272
Government services[3]	7,062	6.77	7,164	6.61	6,799	6.33	1,734	1,609
Administrative activity[4]	7,072	6.78	8,122	7.49	7,919	7.37	1,978	1,947
Transportation	5,387	5.17	5,364	4.95	5,620	5.23	1,377	1,326
Finance and insurance	3,536	3.39	3,762	3.47	3,905	3.64	956	978
Telecommunications	1,932	1.85	1,982	1.83	2,012	1.87	490	511
Electricity and water	1,826	1.75	1,772	1.63	1,892	1.76	472	488
Shrimp	660	0.63	725	0.67	722	0.67	181	196
Others [5]	18,070	17.33	17,865	16.48	18,627	17.34	4,666	4,285
Total GDP	**104,296**	**100**	**107,562**	**100**	**107,436**	**100**	**26,758**	**25,879**

Source: Based on information from the Central Bank for the First Quarter of 2020.

(1) Table measures gross value added by economic sector and corresponding percentage of Nominal GDP.
(2) Includes manufacturing other than petroleum refining.
(3) Includes Public Defense and Social Security Administration.
(4) Includes Professional and Technical Administration.
(5) Includes fishing, petroleum refining, hospitality and food services, domestic services, other services and other elements of GDP.

The following table sets forth Ecuador's real GDP growth by expenditure as a percentage of total real GDP growth for the periods presented.

Real GDP and Expenditure Growth

(Percentage change from previous comparable period based on 2007 prices)

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2017	2018	2019	2019	2020
Real GDP Growth	2.4	1.3	0.1	1.1	-2.4
Import of goods & services [1]	12.2	5.8	1.6	1.9	0.2
Total Supply of Goods & Services	**4.4**	**2.4**	**0.4**	**1.3**	**-1.8**
Public Sector Consumption	3.2	2.9	-2.4	1.7	-5.0
Private Consumption	3.7	2.7	1.5	1.9	-0.6
Gross Fixed Capital Formation	5.3	2.1	-3.4	-3.1	-6.0
Exports of goods and services[1]	0.7	0.9	5.2	3.4	3.6
Total Final Demand	**4.4**	**2.4**	**0.4**	**1.3**	**-1.8**

Source: Based on figures from the Central Bank Quarterly National Accounts for the First Quarter of 2020.

(1) Corresponds to figures from "Real GDP by Expenditure" table.

The following table sets forth Ecuador's per capita GDP statistics for the periods indicated.

Per Capita GDP

	For the Year Ended December 31,		
	2017[1]	2018[1]	2019[2]
Per capita Nominal GDP (current U.S.$)	6,217	6,318	6,222
Per capita Real GDP	4,229	4,222	4,164
Population (in thousands)[2]	16,777	17,023	17,268

Source: Based on figures from Table 4.3.5 of the Central Bank's Monthly Bulletin for June 2020.

(1) Provisional data published by the Central Bank.
(2) Preliminary data published by the Central Bank based on the aggregation of quarterly data.
(3) Population figures correspond to projected population annual figures from 2010 census.

The following table sets forth the real GDP growth by expenditure for the periods indicated.

Real GDP by Expenditure

(in millions of dollars)

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2017	2018	2019	2019	2020
Consumption					
Public Sector Consumption	10,790.0	11,167.2	10,893.8	2,778.3	2,639.2
Private Consumption	43,577.6	44,487.0	45,154.2	11,156.9	11,085.3
Total Consumption	54,367.6	55,654.2	56,048.0	13,935.2	13,724.4
Gross Investment					
Gross Fixed Capital Formation	16,762.3	17,093.0	16,520.2	4,140.4	3,893.8
Change in Inventory	388.0	348.2	-126.9	118.4	-30.2
Exports of goods and services[1]	19,631.7	19,858.2	20,895.3	5,143.8	5,327.3
Imports of goods and services [1]	20,193.8	21,083.2	21,427.4	5,380.0	5,392.3
Real GDP	70,955.7	71,870.5	71,909.1	17,957.7	17,523.0

Source: Based on figures from the Central Bank Quarterly National Accounts for the First Quarter of 2020.

(1) The exports and imports figures in this chart are adjusted for inflation and reflect the contribution of exports and imports to GDP. They differ from the nominal exports and imports in the "Balance of Payments" table and stand-alone exports and imports tables in the "Exports-(FOB)" and "Imports-(CIF)" tables in this Appendix.

Economic and Social Policies

During his term, President Moreno has sought to reform certain aspects of the Ecuadorian economy in order to promote economic growth, while reducing poverty and inequality and fostering social progress. Certain reforms have been undertaken as legislative proposals, which require the National Assembly's approval. Other reforms have been undertaken by the executive branch and do not require legislative approval. Below is a brief description of the most relevant major economic and financial reform initiatives over the past years:

The 2008 Constitution

One of the most important objectives of the 2008 Constitution was to grant control over the Central Bank to the executive branch. Section 6, Article 303 of the 2008 Constitution states that "the drafting of monetary, credit, foreign exchange and financial policies is the exclusive power of the executive branch and will be implemented through the Central Bank" hence limiting the autonomy and authority of the Central Bank for the purpose of effective implementation of reforms by the executive branch and its agencies.

Another relevant reform embedded in the 2008 Constitution is the creation of a debt and finance committee (the "Debt and Finance Committee"), tasked with evaluating and approving issuances or incurrence of sovereign debt. The Debt and Finance Committee is comprised of the President or his delegate, the Minister of Finance or his delegate, and the National Secretary of Planning and Development or his delegate. The sub-secretary in charge of public debt, Undersecretary of Public Finance, acts as the secretary for the committee. See "*Public Debt—General*." Other important reforms include the establishment of limitations on the proceeds of public borrowing (Article 289) (see "*Public Debt—General*"), the possibility of the President to be elected to a second consecutive term (Article 144 of the 2008 Constitution), see "*The Republic of Ecuador—Form of Government*", the requirement of an evaluation structure for any public program in conjunction with the National Development Plan (Article 297 of the 2008 Constitution), and the establishment of the Treasury Account or the administration of the general budget (Article 299). In May 2011, certain amendments to the 2008 Constitution were approved by popular referendum. The most debated amendments included the change to the Judiciary Council to its current make up, see "*The Republic of Ecuador—Form of Government*", and the prohibition of owners of media companies to own stock in non-media companies. On December 3, 2015, the National Assembly approved certain amendments to the 2008 Constitution, including the elimination of term limits for public officials, allowing indefinite reelection, and a transitory provision providing that such elimination of term limits will become into effect on May 24, 2017. These amendments were published and became effective on December 21, 2015.

In February 2018, certain amendments to the 2008 Constitution were approved by national popular referendum. The amendments included, among others, that those convicted of corruption related offenses should lose their political rights, and the reversion of the 2015 constitutional amendment which allowed indefinite reelection, limiting instead officials to a single reelection to the same office.

Budget Reforms

Enacted in April 2008, the *Ley Orgánica para la Recuperación del Uso de los Recursos Petroleros del Estado y Racionalización Administrativa de los Procesos de Endeudamiento* ("Law for the Recovery of the Use of Oil Resources of the State and Administrative Rationalization of Indebtedness" or "LOREYTF") replaced Ecuador's then existing budget and transparency regulations. The objectives of the law were (i) to enhance the transparency and flexibility of the budget process by prioritizing investments and improving the management of Government resources and (ii) to terminate any distribution of budgeted amounts based on predetermined uses of resources. To achieve those objectives, the LOREYTF eliminated the *Cuenta Especial de Reactivación Productiva y Social del Desarrollo Científico-Tecnológico y de Estabilización Fiscal* ("Scientific-Technological and Fiscal Stability Social and Productive Reactivation Special Account" or "CEREPS"). Also, pursuant to Article 299 of the 2008 Constitution, LOREYTF established the *Cuenta Única del Tesoro* – a single Central Bank master account for the management of Ecuador's resources. The *Cuenta Única del Tesoro* is comprised of various sub-accounts where amounts are allocated according to functional purposes. These sub-accounts include a social security account, accounts for public companies, a public banking account, and accounts for municipal and provincial governments (the "Autonomous Decentralized Governments"). The budget and transparency regulations established in LOREYTF were subsequently codified and superseded by the Public Planning and Finance Code.

The Organic Law for Productive Development amended the Public Planning and Finance Code to prevent that a budget with a primary deficit be approved and ensure that any increase in the expenditure by the Central Government does not exceed the long term growth rate of the economy.

Tax Reforms

Enacted in December 2008, the *Ley Reformatoria a la Ley de Régimen Tributario Interno y a la Ley Reformatoria para la Equidad Tributaria del Ecuador* ("Reform Act to the Internal Tax Regime Law and the Reform Act for Tax Equity in Ecuador") reformed the existing tax system by improving the mechanisms by which the Government collects tax revenues. The objectives of the law were to reduce tax evasion, improve direct and progressive taxation, increase the tax base, and generate adequate incentives for investment in economic activity. On December 29, 2014, the National Assembly enacted a corporate tax reform relating to the taxation of shareholders of Ecuadorian companies who reside in tax havens. The reform increases the corporate tax rate to 25% from 22% if an Ecuadorian company's owners are tax haven residents who own collectively more than 50% of the company. In addition, the tax reform exempts companies from corporate taxes, for a period of ten years, for profits related to new and productive investments as defined by the *Código Orgánico de la Producción* ("Production Code"). Furthermore, on December 29, 2017, the Organic Law for the Reactivation of the Economy, Strengthening of Dollarization and Modernization of Financial Management was published and became effective, which included, among other measures, tax incentives to microenterprises, small businesses, cooperatives and associations, and an increase of 3% to the corporate income tax (now subject to 25%). The Organic Law for Productive Development, enacted on August 21, 2018, expanded some of the tax incentives under the Production Code (including income tax exemption for eight years instead of five for investments in Quito or Guayaquil, for 12 years elsewhere, and for 15 years in basic industries as defined in the Production Code, and for 5 additional years if located in bordering counties). For more information on these laws and other tax reforms, see "*Public Sector Finances—Taxation and Customs*", "*Public Sector Finances—Tax Reforms", "The Republic of Ecuador—Form of Government", and "Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability*."

On October 18, 2019, President Moreno presented before the National Assembly the draft Law on Economic Development, aimed at reforming several of the Republic's tax and financial laws. Specifically, the Law on Economic Development's objective was to, on the one hand, increase revenue by U.S.$450 million by progressively taxing corporations and individuals with higher yearly income, and imposing new taxes such as a tax on plastic bags and e-cigarettes; and in addition introducing a number of measures to create (a) a more efficient tax system for taxpayers and (b) reforming certain aspects of Ecuador's financial laws and regulations to, among other objectives, (i) enhance fiscal sustainability establishing stricter budget controls and (ii) strengthen dollarization by enhancing the Central Bank's autonomy. After the protests held in October 2019, President Moreno modified the proposed draft Law on Economic Development to remove the elimination of gas subsidies as part of the draft law, see "*The Republic of Ecuador—Measures by President Moreno.*"

On November 17, 2019, the National Assembly voted to reject the draft Law on Economic Development. In response, on November 21, 2019, President Moreno presented the draft *Ley Orgánica de Simplicidad y Progresividad Tributaria* ("Organic Law on Tax Simplification") replacing the draft Law on Economic Development with respect to certain aspects of the intended tax reform. The Organic Law on Tax Simplification was first approved by the National Assembly on December 9, 2019, and after a Presidential partial veto, it was finally approved on December 30, 2019, and became effective on December 31, 2019. The Organic Law on Tax Simplification eliminates income tax advances, VAT and Special Consumption Tax ("ICE") on certain products and services (e.g. certain web services, and electric and public vehicles), provides for 100% debt relief of interest and charges on certain student loans, a progressive taxing calendar for corporations and individuals with higher yearly income, and imposes new special taxes on supermarket plastic bags, certain mobile services and certain beers, among other tax reforms targeting certain micro-entrepreneurs, immigrants, exporters, agricultural manufactures, and others. For more information on tax reforms, see "*Public Sector Finances—Taxation and Customs—Tax Reforms*"

Public Planning and Finance Code

Enacted in October 2010, the Public Planning and Finance Code created a new financial regulatory system pursuant to the 2008 Constitution. The objectives of the law, among others, were to develop and coordinate national and regional governmental planning, guarantee the rights of citizens through equitable resource allocation and

increased citizen participation in framing public policy, and strengthen national sovereignty and Latin American integration through public policy decisions. To achieve those objectives, the Public Planning and Finance Code, as amended under the Organic Law for the Regulation of Public Finances (see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances*" below):

- allows for more flexibility for the Ministry of Economy and Finance to reallocate and reassign expenditures up to 5% of the approved Government budget without the prior approval of the National Assembly (before July 15, 2020, until the passing into law of the Organic Law for the Regulation of Public Finances, this authority was capped at 15% under the law);

- sets an explicit total public debt ceiling of 40% of GDP including Central Government, non-financial public sector and Autonomous Decentralized Governments (see "*Public Debt—General*" and "*—Organic Law for the Regulation of Public Finances*" for a description of the Republic's measures to decrease the public debt levels as of the date of the Invitation Memorandum to below the debt ceiling);

- allows the Ministry of Economy and Finance to issue CETES at its discretion, without having to undergo the same approval process required for long-term internal and external sovereign debt;

- allows for the establishment of citizens' committees for financial public policy consultations;

- determines that all excess cash not spent during a fiscal year will be accounted for as initial cash for the following fiscal year; and

- establishes the functions and responsibilities of the Debt and Finance Committee, see "*Public Debt—General.*"

On June 21, 2018, the National Assembly passed the Organic Law for Productive Development which became effective on August 21, 2018. The law amends Article 124 of the Public Planning and Finance Code providing that in exceptional cases, fiscal rules and the 40% debt to GDP ratio limit may be temporarily suspended when natural catastrophes, severe economic recession, imbalances in the payment system, or national emergency situations occur, for which purpose the approval of the majority of the members of the National Assembly will be required. These rules may also be suspended in the event that the President of the Republic decrees a state of emergency, in accordance with the provisions of the Constitution. In these cases, the entity in charge of public finances will approve a plan to strengthen public finances to achieve and restore fiscal balance.

On April 30, 2019, in line with the Letter of Intent presented to the IMF, the Ministry of Economy and Finance published the *Plan de Acción para el Fortalecimiento de las Finanzas Públicas* ("Action Plan for the Strengthening of Public Finances") with 17 proposals aimed at strengthening fiscal and budgetary rules and planning, and improving sustainability in the operations of the National Treasury. Among the proposals, the Ministry of Economy and Finance undertakes to send the President a draft bill modifying certain provisions of the Public Planning and Finance Code to further limit the Executive's discretion to outspend the national budget from 15% to 5% in order to increase credibility over each year's set fiscal goals; to substitute the CETES with a new short-term instrument that guarantees its use within the budgetary year of issuance and placement; and to include a chapter in the Public Planning and Finance Code with a functional outline of the fiscal rules to increase transparency. These amendments were passed into law on July 15, 2020, with the Organic Law for the Regulation of Public Finances, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances.*"

On October 18, 2019, President Moreno presented before the National Assembly the draft Law on Economic Development which included certain amendments to the Public Planning and Finance Code aimed, among other objectives, to enhance fiscal sustainability establishing stricter budget controls. However, on November 17, 2019 the National Assembly rejected those amendments. On July 15, 2020, the Organic Law for the Regulation of Public Finances which amends the Public Planning and Finance Code became effective, see "*—Organic Law for the Regulation of Public Finances.*"

Both the Republic and the Autonomous Decentralized Governments are subject to the Public Planning and Finance Code. For more information on the Public Planning and Finance Code, see "*Public Sector Finances—Fiscal Policy*."

Monetary and Financial Law

In September 2014, the National Assembly enacted the *Código Orgánico Monetario y Financiero* (the "Monetary and Financial Law") in order to address weaknesses of the Republic's financial system stemming from the banking crisis in 2000. To achieve its objectives, the Monetary and Financial Law creates a new regulatory body, the Committee of Monetary and Financial Policy Regulation, to oversee and regulate the execution of monetary, foreign exchange, financial, insurance, and securities policies of the country. The committee is comprised of delegates from Ecuador's Ministry of Economy and Finance, the Ministry of Production and Industrialization, the National Secretary of Planning and Development, the Ministry of Economic Policy, and a delegate appointed by the President. The principal function of the committee is to oversee and monitor the liquidity requirements of Ecuador's financial system, ensuring that liquidity remains above certain levels (to be determined by the Committee of Monetary and Financial Policy Regulation). The law also creates a separate internal auditor for the Government's financial entities, establishes certain norms for the Central Bank and the Superintendent of Banks regarding their budget, purpose, and their supervision, and sets forth reporting requirements to the Committee of Monetary and Financial Policy Regulation. The law also explicitly establishes that certain accounts in the Central Bank, including the accounts used for the deposits of the *Corporación de Seguros de Depósito* ("COSEDE") and the Liquidity Fund, are subject to sovereign immunity and cannot be subject to attachment of any kind.

On October 18, 2019, President Moreno presented before the National Assembly the draft Law on Economic Development which included certain amendments to the Monetary and Financial Law. These amendments aimed to ensure that the Central Bank had clear objectives and limited functions, designed to fully support the dollarization regime. They encompassed measures to strengthen the Central Bank's autonomy including in terms of its budget, improve the Central Bank's governance by establishing a board with fiduciary responsibilities to the Central Bank, and build a strong internal and external audit function. The amendments prohibited all direct and indirect lending by the Central Bank to the government or the public sector, while remaining able to provide temporary liquidity support to public banks, if needed for prudential purposes. However, on November 17, 2019, the National Assembly rejected those amendments. On July 15, 2020, the Organic Law for the Regulation of Public Finances which amends the Public Planning and Finance Code became effective, see "*—Organic Law for the Regulation of Public Finances.*"

Organic Law for the Reactivation of the Economy, Strengthening of Dollarization and Modernization of Financial Management

On November 29, 2017, the National Assembly approved the *Ley Orgánica para la Reactivación de la Economía, Fortalecimiento de la Dolarización y Modernización de la Gestión Financiera* (the "Organic Law for the Reactivation of the Economy, Strengthening of Dollarization and Modernization of Financial Management"). On December 11, 2017, President Moreno partially objected to the passing of the law. On December 29, 2017, the law was published and became effective after undergoing certain amendments pursuant to President Moreno's objection. Some of the main measures included in this law are:

- tax incentive measures intended to benefit microenterprises, small businesses, cooperatives, and associations;
- an increase of 3% to the corporate income tax, with corporations that were subject to a 22% tax rate now subject to a 25% tax rate;
- electronic means of payment will be managed by entities of the private financial system with the objective of effectively substituting physical money;
- the elimination of income tax for the first U.S.$11,290 of the income of small enterprises;

- the elimination of income tax for new microenterprises for the first three years from the date they begin generating operating income;

- the elimination of the land tax;

- the simplification of the procedure to domicile foreign companies to Ecuador; and

- an extension of the prohibition to execute foreign judgments on property located in Ecuadorian territory when those judgments arise from extrajudicial documents for foreclosures of mortgage loans granted abroad.

Organic Law for Productive Development

On June 21, 2018, the National Assembly approved the Organic Law for Productive Development and, after a Presidential partial veto, it became effective on August 21, 2018. The law aims to provide tax incentives for small and medium sized companies and to promote new investments in the country. The law provides for a 12 year income tax exemption (eight years if the investment is in Quito or Guayaquil and 15 years for investments in the industrial and agricultural sectors, including agricultural cooperatives, in the border regions of the country) for new productive investments in priority sectors, such as food production, forestry and agricultural land reforestation (agroforestry), metal-mechanic, petrochemical, pharmaceutical, tourism, renewable energy, foreign trade logistical services, biotechnology and import replacement and export promotion and a 15 year income tax exemption (20 years if the investment is in one of the border regions of the country) for productive investments the industrial, agricultural and agro associative sectors and any other basic industries determined by Ecuadorian law in the future. It also provides for remittances of interests, fines and charges over, among others, declared delayed tax payments, social security contributions and amounts owed to state-owned utilities as well as under student loans and grants. Finally, it provides for a simplified administrative process for social housing projects, which will also benefit from the incentives in the law.

The Organic Law for Productive Development also includes other incentives, such as the option for investors to agree to settle disputes with the Republic through national or international arbitration under UNCITRAL Rules before the Permanent Court of Arbitration, under the rules of the International Chamber of Commerce in Paris, or under the rules of Inter American Commercial Arbitration Commission at the choice of the investor, and amends the Civil Procedure Code so that an international arbitration award becomes enforceable without prior homologation (*exequátur*). As a result, international arbitral awards are directly enforceable as is the case with domestic awards.

The Organic Law for Productive Development reforms Article 123 of the Public Planning and Finance Code by expressly confirming that a contingent liability may originate from the activities listed below, and that it will be excluded from the calculation of public debt for the period for which it remains contingent. A contingent liability will only be considered public debt, and included in the calculation of total public debt to GDP ratio, in such amount and to the extent the obligation become due and payable. A contingent liability may originate when:

- the Central Government issues sovereign guarantees for the benefit of public sector entities that enter into public debt, together with all provisions made for their payment;

- notes linked to duly documented payment obligations are issued;

- guarantee agreements to secure the proper use of non-reimbursable contributions received by any applicable entity are entered into; and

- the public sector incurs contingent liabilities in accordance with applicable law, or other liabilities are incurred within the context of agreements with international credit agencies.

For further information regarding amendments to certain provisions of the Public Planning and Finance Code, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability*."

Organic Law of Entrepreneurship and Innovation

On January 7, 2020, the National Assembly approved the *Ley Orgánica de Emprendimiento e Innovación* ("Entrepreneurship and Innovation Law"), and after a Presidential partial veto, it was published and became effective on February 28, 2020. The purpose of the Entrepreneurship and Innovation Law is to establish a regulatory framework that incentivizes entrepreneurship, innovation and technological development. It seeks to promote an entrepreneurial culture by implementing new corporate and financial modalities to strengthen the entrepreneurial ecosystem. The Entrepreneurship and Innovation Law established a National Council for Entrepreneurship and Innovation ("CONEIN") which has at its charge the promotion of entrepreneurship in the country. This law also establishes the National Registry of Entrepreneurship which allows persons, both natural and business entities, who have a business which is less than five years old, with less than 49 employees and with sales less than U.S.$1,000,000 to register and have access to financial resources and public funds which will be created by the Entrepreneurship and Innovation Law.

Organic Law on Humanitarian Aid

On June 19, 2020, the National Assembly approved the *Ley Orgánica de Apoyo Humanitario para Combatir la Crisis Sanitaria Derivada del COVID 19* ("Organic Law on Humanitarian Aid"), after a Presidential partial veto, and it was published and became effective on June 22, 2020. The Organic Law on Humanitarian Aid aims to establish policies to protect the health, safety, education and welfare of the citizens of the Republic and to reactivate the national economy, including, without limitation, the following measures:

- *Public relief measures*: mandating elementary, primary and secondary schools and universities to offer a tuition discount of up to 25% to students who have been economically affected under certain circumstances; prohibiting the expulsion of students that default on the payment of monthly school charges and establishing a government credit facility for those failing to pay for a period of six months; mandatory 10% increase of the number of grants for universities; a prohibition on forced evictions during the term of the State of Emergency; freezing utility charges; reducing the cost of power for those under the poverty line; preventing healthcare providers from suspending care and preventing health insurance providers from terminating health insurance policies; expanding the healthcare coverage for certain healthcare plans provided under the social security framework.

- *Access to credit*: requiring national financial institutions to offer loans to the productive sector, which includes the sectors of the economy involved in the production of raw materials and goods, among others, on favorable terms and conditions; offering tax credits to financial institutions that offer credit alternatives with a term greater than 48 months.

- *Flexibilitization of employment rules*: allowing employers to unilaterally modify employment contracts to reduce the length of the work day only if justified under force majeure and allowing for salary adjustments per hours actually worked with a 45% reduction cap and for no more than a year; creating special rules for vacations.

- *Debt relief*: mandating that the Monetary and Financial Policy and Regulation Board issue a resolution so that during the length of the state of emergency, financial institution and other entities providing credit must work with their clients to reschedule the collection of monthly installments.

- *Tenant relief*: suspending evictions of tenants during the State of Emergency and for up to 60 days after its conclusion as long as the tenant pays at least 20% of any outstanding payment.

The Organic Law on Humanitarian Aid mandates certain government agencies to issue regulation for the application of certain of these measures.

Organic Law for the Regulation of Public Finances

On May 16, 2020, the National Assembly approved the *Proyecto de Ley Orgánica para el Ordenamiento de las Finanzas Públicas* and, after a Presidential partial veto, it became effective on July 15, 2020 ("Organic Law for the Regulation of Public Finances").

The Organic Law for the Regulation of Public Finances has two sections and a transitional provision. Section I is limited to amendments to the Public Planning and Finance Code and includes 45 articles, and Section II is limited to a single article amending a provision of the Organic Law of Spatial Planning and applicable ordinances. This law aims to improve the administration of public finances. It focuses on updates to budgetary ceilings, the predictability of public spending, establishment of new treasury securities and new tax rules. Among the amendments to the Public Planning and Finance Code include, without limitation, the following measures:

- limiting the ability of the Ministry of Economy and Finance to increase the State General Budget from 15% to 5% without first following the provisions set forth in the Public Planning and Finance Code;

- providing that the objectives, limits and goals regarding the total fiscal rules of the Non-Financial Public Sector and of the State General Budget, will be calculated, determined, evaluated and updated by the Ministry of Economy and Finance;

- setting a budget spending ceiling for each public entity;

- verifying compliance with these rules with a report with consolidated information. The units that constitute the Non-Financial Public Sector will monitor budget execution and adjust public spending to ensure that fiscal objectives and rules are met. The monitoring and evaluation of these reports will fall under the responsibilities of the Ministry of Economy and Finance;

- creating a Fiscal Strengthening and Sustainability Plan if there are breaches of the debt objectives, non-oil primary balances or the rules of permanent expenses. The entity at the cause of, or affected by, the breach must submit such plan;

- releasing to the public the objectives, limits and the fiscal goals by ministerial agreement;

- creating the National Committee for Fiscal Coordination tasked with determining, evaluating and updating the sectoral fiscal goals for each level of government. This committee will be made up of 11 members representing the President of the Republic, Ministry of Economy and Finance, Central Bank, the Autonomous Decentralized Governments, Public Companies and Social Security, who will each have right to be heard and a vote;

- It contemplates capital preservation programs of the General State Budget. The purpose of this provision is to protect liquidity, increase the wealth, assets (*patrimonio*) and financial capacity of the State. For the achievement of these programs, there should be a technical report published that holds that the program is economical and financially viable and that it will generate a socially favorable impact;

- creating the policy of prevention, mitigation and management of fiscal risks each year with coverage of the non-financial public sector. This policy will be prepared by the Ministry of Economy and Finance, and will be attached to the proforma of the general budget of the State. The purpose of this policy will be to mitigate the negative impacts caused on public finances because of unforeseen events and to guarantee the better accomplishment of the fiscal policy put forth by the President of the Republic. Fiscal risks are defined as unforeseen events that may affect the income and expenses of the State; and

- allocating a maximum of 3% of the total expenditure of the general state budget to anticipate possible fiscal risks.

The Organic Law for the Regulation of Public Finances makes it a point not to hinder the already existing autonomy of the Autonomous Decentralized Governments, the Central Bank of Ecuador and the Bank of the Ecuadorian Social Security Institute (BIESS), and of social security entities such as the Ecuadorian Social Security Institute (IESS), the Social Security Institute of the Armed Forces (ISSFA), the Social Security Institute of the Police (ISSPOL), the Unemployment of the National Police and other similar ones.

The revisions made by the President include setting out a timetable for the gradual decrease of the public debt by imposing transitional debt to GDP ratio ceilings starting at 57% by 2025 and reducing it to 45% by 2030 and to 40% by 2032, after which the public debt to GDP will be required by law to be kept at or below the legal limit of 40%, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances.*"

The Organic Law for the Regulation of Public Finances also amends article 123 of the Public Planning and Finance Code, to, among others:

- exclude certain transactions and instruments from public debt including contractual rights linked to ordinary operations that do not require a sovereign guarantee and any security or treasury note with a term of less than 360 days, among others;

- clarify the definition of public debt by tying it to obligations held by entities from the public sector which must be returned to lender;

- include debts contracted by IESS, ISSFA or ISSPOL in the definition of public debt; and

- assign during the budgeting process the resources available from the public debt to the projects and programs that meet the established requirements.

Anti-Corruption Measures in Ecuador

Since President Moreno was elected, the Government of Ecuador has been putting in place several initiatives to fight corruption in the country and several alleged cases of corruption against current or former public officials of state-owned companies are being investigated. In February 2018, certain amendments to the 2008 Constitution were approved by national popular referendum, including, among others, that those convicted of corruption related offenses should lose their political rights. In March 2018, Petroecuador and the *Unidad de Análisis Financiero y Económico* (the "Financial and Economic Analysis Agency") entered into an inter-institutional agreement to work together in the prevention, detection and eradication of money laundering and financing of crimes within Petroecuador. On June 11, 2018, the Office of the Prosecutor General and the *Servicio Nacional de Contratación Pública* (the "National Service for Public Procurement") entered into a framework agreement for cooperation between both institutions to allow joint operations in the fight against corruption. As of the date of the Invitation Memorandum there are several law proposals under review by the National Assembly aimed at fighting corruption and enabling the recovery of the defrauded amounts.

On February 6, 2019 President Moreno issued decree No. 665 creating the *Secretaría Anticorrupción de la Presidencia de la República* ("Anticorruption Secretariat") tasked with, among others, setting an agenda for the creation of public policies and actions allowing for whistleblowing on corrupt acts within the administration; coordinating collaboration between governmental institutions, courts and entities involved in investigating, trying and penalizing corruption cases; and articulating with the Ministry of Foreign Affairs and Human Mobility the implementation of existing international agreements on the subject.

On February 18, 2019 President Moreno announced his plans to form the *Comisión Internacional contra la Corrupción* ("International Commission against Corruption") with the aim of providing support to governmental agencies charged with denouncing, investigating and prosecuting acts of corruption in Ecuador. The International Commission against Corruption is composed of five international experts on corruption and three secretariats with other national and international experts. Members of the International Commission against Corruption will be

designated by agreement between the government and the United Nations Office on Drugs and Crime. The International Commission against Corruption was formally created on May 13, 2019.

On February 25, 2019 the CNE partnered with the Financial and Economic Analysis Agency to provide mutual collaboration in, among others, detecting money laundering and the financing of criminal enterprises. On June 6, 2019, the heads of Ecuador's Office of the Comptroller General and the *Comisión Nacional Anticorrupción* ("National Anticorruption Commission") signed a two-year collaboration agreement to carry out coordinated efforts to better process corruption complaints and to implement preventive measures, to identify and promote best practices, to enhance communication between both entities, in order to develop training programs promoting ethical behavior, and to promote civic involvement throughout the country to increase public accountability. On June 11, 2019, the *Función de Transparencia y Control Social* (the "Transparency Committee"), composed of representatives of 14 government entities and presided over by the Comptroller General, approved a national plan aimed at building inter-institutional collaboration in the fight against corruption.

On July 25, 2019, President Moreno issued decree No. 828 ("Decree 828") designating the Anticorruption Secretariat as Ecuador's representative authority under the terms of the Inter-American Convention against Corruption. However, on May 20, 2020 President Moreno announced the elimination of the Anticorruption Secretariat.

On December 20, 2019, the National Electoral Council approved its report containing the council's findings on the Bribe 2012-2016 investigation over alleged illicit campaign contributions made to the Alianza PAIS party from 2012 to 2017. On January 3, 2020, at a preliminary hearing, a judge at the National Court of Justice ordered former President Correa, former vice president Glas, and several former ministers and government officials to stand trial over their alleged involvement in the Bribe 2012-2016 case. On April 7, 2020 Ecuador's National Court of Justice sentenced former President Correa in absentia to an eight year prison term. This sentence was appealed and is under review in Ecuador's National Court of Justice.

On May 5, 2020, President Moreno issued decree No. 1033 ("Decree 1033") establishing a unified method for purchasing medicines and drugs in the public health network. Decree 1033 seeks to address the proliferation of new cases of corruption after a discovery of irregularities in hospitals was made during the COVID-19 pandemic. The decree sets forth that all acquisitions will be made through an integrated system that combines the inputs required by the Ministry of Health, the Ecuadorian Social Security Institute, the Social Security Institute of the Armed Forces and the Social Security Institute of the National Police.

On May 21, 2020, President Moreno sent to the National Assembly a project of reforms to the Comprehensive Penal Code. The objective of the project is to strengthen control mechanisms and make sanctions more severe in cases of corruption of public purchases during an emergency. The project proposes that the evasion of legal procedures in public purchases during an emergency could carry jail time of six months and up to 25 years, depending on the size of the purchase.

Strategic Sectors of the Economy

The Ministry for the Environment, the Ministry of Telecommunications and the Ministry of Energy and Non-Renewable Natural Resources are in charge of the water, telecommunications, electricity, and natural resources (oil and mining) sectors of the economy, respectively. The Republic considers these sectors as the most important sectors of the economy.

Oil Sector

Ecuador's oil reserves are managed directly by state-owned oil companies Petroecuador and Petroamazonas and through service contracts with other Ecuadorian and foreign companies. Oil exploitation operations are conducted under the supervision and regulation of the Ministry of Energy and Non-Renewable Natural Resources acting through the Hydrocarbons Regulation and Control Agency.

The Ministry of Energy and Non-Renewable Natural Resources also provides technical, economic and legal support in service contract origination and public bidding processes. In November 2012, former President Correa signed decree 1351-A (the "Consolidation Decree"), which consolidated the operations of Petroecuador and

Petroamazonas allocating exploration and exploitation of hydrocarbon resources to Petroamazonas and transportation, refining and commercialization activities to Petroecuador.

In 2018, crude oil exports totaled U.S.$7,853 million, a 26.9% increase from U.S.$6,190 million in 2017. This increase was due to an increase in the average international price of petroleum per barrel from U.S.$45.68 in 2017 to U.S.$60.55 in 2018, despite a 4% decrease in export volume, from 18,950 thousand metric tons to 18,192 thousand metric tons. In 2019, crude oil exports totaled U.S.$7,731 million, a 1.6% decrease from U.S.$7,853 million in 2018. This decrease was due to a decrease in the average international price of petroleum per barrel from U.S.$60.55 in 2018 to U.S.$55.30 in 2019, which was partially offset by an increase in export volume from 129.7 million barrels in 2018 to 139.8 million barrels in 2019. In the first five months of 2020, crude oil exports totaled U.S.$1,624 million, a 50.9% decrease from U.S.$3,306 million in the first five months of 2019. This decrease was primarily due to a 14.3% decrease in the export volume, from 57.5 million barrels to 49.3 million barrels and a 42.6% decrease in the price per barrel from U.S.$57.49 to U.S.$32.98. In addition, due to problems with the pipeline that transports oil, production was partially suspended, which reduced production by 18.0% from 79.9 million barrels in the five months of 2019 to 65.6 million barrels in the same period of 2020.

In 2018, revenues from non-petroleum sources in the non-financial public sector totaled U.S.$26,994 million, a 6.0% increase from U.S.$25,473 million in 2017. This increase was primarily due to an increase in revenues from tax collections. In 2019, revenues from non-petroleum sources in the non-financial public sector totaled U.S.$25,450 million, a 5.7% decrease from U.S.$26,994 million in 2018. Revenues from non-petroleum sources in the non-financial public sector as of May 31, 2020, totaled U.S.$10,001 million, a 11.25% decrease from U.S.$11,269 million in the same period in 2019.

In 2018, Central Government oil revenues represented 7.4% of GDP and 30.4% of Central Government revenues and non-petroleum revenues represented 16.9% of GDP and 69.6% of Central Government revenues. In the same year, oil revenues for the non-financial public sector represented 7.6% of GDP and 21.5% of non-financial public sector revenues and non-petroleum revenues represented 25.1% of GDP and 71.0% of non-financial sector revenues. In 2018, Central Government oil revenues reached U.S.$8,008 million. In 2019, Central Government oil revenues represented 7.0% of GDP and 30.6% of Central Government revenues and non-petroleum revenues represented 16.0% of GDP and 69.4% of Central Government revenues. In the same year, oil revenues for the non-financial public sector represented 7.2% of GDP and 21.7% of non-financial public sector revenues and non-petroleum revenues represented 23.7% of GDP and 70.8% of non-financial sector revenues. Central Government oil revenues reached U.S.$7,559 million in 2019, which is a decrease from the U.S.$8,008 million in 2018. Central Government oil revenues reached U.S.$2,051 million as of May 31, 2020, a 10.2% decrease compared to U.S.$2,285 million for the same period in 2019. For more information on Central Government revenues, see "*Public Sector Finances—Central Government Revenues and Expenditures*."

For more information on Central Government revenues, see "*Public Sector Finances—Central Government Revenues and Expenditures*." For more information on revenues of the non-financial public sector, see "*Public Sector Finances—Non-Financial Public Sector Revenues and Expenditures*."

Petroecuador and Petroamazonas are state-owned companies and are legal entities with their own assets and budgetary, financial, economic and administrative autonomy. The Ministry of Energy and Non-Renewable Natural Resources conducts the management of non-renewable hydrocarbon resources and is tasked with executing activities such as the administration of oil fields and the execution and modification of oil field contracts.

As part of the ongoing plan to optimize the administration of the State, a committee was created among the Public Companies Coordinator Company, the General Secretariat of the Presidency, the National Secretariat for Planning and Development and the Ministry of Energy and Non-Renewable Natural Resources, along with technical teams from Petroecuador and Petroamazonas, to start carrying out the process of merging Petroecuador and Petroamazonas. On April 24, 2019, President Moreno issued decree No. 723 ordering the merger of Petroecuador and Petroamazonas into a single public company, and creating the *Unidad Temporal de Fusión* ("Temporary Merger Unit"), a unit within Petroamazonas charged with managing the merger under the supervision of the Ministry of Energy and Non-Renewable Natural Resources. The decree also sets December 31, 2020, as the deadline for completion of the merger. On May 6, 2020, as a result of the economic environment resulting from the COVID-19 and the decline in international oil prices, the Ministry of Energy and Non-Renewable Natural Resources announced

that it was reconsidering the original merger strategy with the view of simplifying the final management structure of the resulting company after the merger.

Exploitation

Under the 2008 Constitution, all subsurface natural resources are property of the state, and in the case of petroleum, following the Consolidation Decree, its exploitation is undertaken directly by Petroamazonas. The 2008 Constitution, however, permits the Government to contract with the private sector for the development of these natural resources.

The 2008 Constitution, the Hydrocarbons Law, the Consolidation Decree, decree No. 315 ("Decree 315") and decree No. 314 ("Decree 314") set out the following reforms which clearly define the public sector oil entities' functions as follows:

- the Ministry of Hydrocarbons (now the Ministry of Energy and Non-Renewable Natural Resources) implements the hydrocarbon policies defined by the Republic's president;

- the Secretariat of Hydrocarbons (now part of the Ministry of Energy and Non-Renewable Natural Resources) of Ecuador conducts the public tender process for specific service contracts to develop oil fields, and executes and administers such contracts;

- the Hydrocarbons Control and Regulation Agency controls and oversees hydrocarbon activity in all its phases;

- Petroecuador is involved in the refining, and industrialization of hydrocarbon activities, as well as their internal and external marketing; and

- Petroamazonas is involved in the exploration and production of hydrocarbons.

For more information on the formation of the Ministry of Energy and Non-Renewable Natural Resources through the merger of the Ministry of Hydrocarbons, the Ministry of Electricity and Renewable Energy, the Ministry of Mining and the Secretariat of Hydrocarbons, see "*The Republic of Ecuador—Form of Government*."

Under the above framework, Ecuador allows foreign investment in its hydrocarbon resources, which, under the 2008 Constitution and Hydrocarbons Law are exclusively owned by the state. In November 2010, the Government completed its contract renegotiations with foreign oil companies under the Hydrocarbons Law, which, as mentioned above, replaced production-sharing agreements for private companies with a fixed per-barrel fee for their exploration and production activities.

Production

Petroleum Production
(in thousands of barrels per year, except where noted)

	For the year ended December 31,			For the Four Months Ended April 30,	
	2017	**2018**	**2019**	**2019**	**2020**
Petroleum [(1)]	531	517	531	525	456
Public Companies [(2)]	152,092	146,353	152,858	49,750	43,442
Other operators	41,835	42,439	40,958	13,727	11,750
Total	**193,927**	**188,792**	**193,816**	**63,478**	**55,192**
Natural Gas Production [(3)]	**16,337**	**12,461**	**11,244**	**3,854**	**3,369**

Source: Petroleum data is based on figures from the Central Bank May 2020 Monthly Bulletin (Table 4.1.1).
(1) Petroleum information is displayed in thousands of bpd.
(2) Public company numbers include the production of Rio Napo.
(3) Natural Gas Production information is displayed in millions of cubic feet.

According to the Central Bank's Monthly Bulletin for June 2020, oil field crude production, including that of private and state-owned companies, reached 188.8 million barrels for the year 2018, representing a 2.7% decrease from the 193.9 million barrels produced in 2017, 193.8 million barrels for the year 2019, representing a 2.65% increase from 2018, and 65.6 million barrels during the first five months of 2020, representing a 18.0% decrease from the 80.0 million barrels produced during the same period of 2019.

In 2018, state-owned companies were responsible for 77.5% of the oil production, compared to 78.4% in 2017. This decrease was principally due to delays in production schedules resulting from delays in acquisitions and temporary limitations in works and facilities, and to the increase in private oil production in 2018. In 2019, state-owned companies were responsible for 78.9% of the oil production, compared to 77.5% in 2018. This increase was principally due to the increase in production in the Auca and ITT fields in 2019. In the five months ended May 31, 2020, state-owned companies were responsible for 78.6% of the oil production, compared to 78.4% of the oil production in the same period of 2019.

The vast majority (95%) of Ecuador's oil blocks are located onshore. The most productive oil blocks are located in the northeastern part of the country, with Shushufindi and Auca as two of the oldest and most productive fields. Crude oil production has increased in the last ten years with the opening of the *Oleoducto de Crudos Pesados* (the "OCP") pipeline (see "*Transportation*" below), which removed a chokepoint on heavy crude oil transportation in the country. Production in existing fields has leveled off in recent years as the result of the natural decline in the productivity of existing blocks, particularly older blocks such as Shushufindi, which has been in operation for over forty years.

In December 2017, Petroamazonas successfully concluded the negotiations of Ronda de Campos Menores 2017. SEA Ecuador, CNPC, Vinccler C.A. and Cementaciones Petroleras Venezolanas were awarded with the contracts for 7 blocks in the regions of Orellana and Sucumbíos, and four service contracts, with a WTI-indexed tariff, were entered into. The total investment between 2018 and 2020 is expected to be U.S.$696 million and it is estimated to produce 104.46 million of barrels during the 10 years of its term.

In May 2018, Petroamazonas started the public procurement of the "Oil & Gas" round for the awarding of specific performance contracts for the exploitation of the crude fields of Cuyabeno-Sansahuari, Yuralpa, Oso and Blanca-Vitina, and the gas field of Amistad, as a result of which four service contracts, with a WTI-indexed tariff, were entered into for the exploitation of the crude fields of Cuyabeno-Sansahuari, Yuralpa, Oso and Blanca-Vitina. Petroamazonas estimates that the total investment between 2019 and 2021 will be approximately U.S.$728 million.

On January 23, 2019 Petroamazonas endorsed the "Zero Routine Flaring by 2030" initiative whereby it commits to incorporate sustainable utilization or conservation of its oil fields associated gas without routine flaring, and to implement economically viable solutions to eliminate this practice as soon as possible, and no later than 2030.

On May 22, 2019, as part of the XII Interfields Oil Round, the Government, acting through the Ministry of Energy and Non-Renewable Natural Resources, entered into seven participation agreements for the exploration and

exploitation of seven new oil blocks in the Sucumbíos province: Arazá Este, Iguana, Perico, Espejo, Sahino, Charapa and Chanangue, with the following companies: Petróleos Sudamericanos del Ecuador Petrolamerec S.A. (two agreements), Gran Tierra Energy Colombia LLC (three agreements) and the consortium formed by Frontera Energy Colombia Corp. and Geopark Perú S.A.C. (two agreements). The Government estimates that these agreements will result in a total U.S.$1,170 million investment by those companies through 2023. These fields are expected to produce 18,000 bpd by 2024.

On September 30, 2019, block 43, which includes the 139 ITT fields of Ishipingo, Tipituni and Tambococha, reached 82,658 bdp in oil production, becoming the area with the largest oil operation in Ecuador. This increase in the production in this area was principally due to the opening for production of the Tambococha fields on September 24, 2019, with an average of 4,250 bpd of oil. The ITT fields are expected to generate approximately U.S.$603 million in revenues in 2020.

On October 3, 2019, various groups organized protests relating to the elimination of the subsidies and increase in prices. The protests lasted for almost two weeks and President Moreno relocated the government to Guayaquil on a temporary basis. For more information, see "*The Republic of Ecuador—Measures by President Moreno.*" From October 7 through October 13, 2019, protesters relating to the elimination of subsidies occupied certain fields and disrupted oil productions by among other things, blocking roads allowing for the transportation of crude oil, causing the Government to suspend oil production in 20 oil fields located in the provinces of Orellana, Sucumbíos and Napo, resulting in U.S.$136.86 million in losses. As part of the Government's efforts to normalize production after the unrest, the Tambococha fields 65 and 66 were opened for production in October 2019. As a result, by October 31, 2019, block 43 reached 86,618 bpd in oil production. Oil production normalized after these events. As a result, on May 19, 2020, President Moreno issued Decree 1054 which allows the price of oil in Ecuador to fluctuate based on the price in the international market of the WTI, while placing a price band that would not allow price fluctuations greater than 5% at service stations, see "*—The 2020 Global Crisis*."

On March 6, 2020, Petroamazonas entered into a contract worth approximately U.S.$148 million with Chuanqing Drilling Engineering Company Limited for the drilling and completion of 24 new oil wells in the province of Orellana, Ecuador. The new oil wells will allow for an increase in production of 7,500 barrels of oil per day.

Exports

In 2018, crude oil exports totaled U.S.$7,853 million, a 26.9% increase from U.S.$6,190 million in 2017. This increase was due to an increase in the average price of petroleum per barrel from U.S.$45.68 in 2017 to U.S.$60.55 in 2018, despite a 4% decrease in export volume. In 2019, crude oil exports totaled U.S.$7,731 million, a 1.6% decrease from U.S.$7,853 million in 2018. This decrease was due to a decrease in the average international price of petroleum per barrel from U.S.$60.55 in 2018 to U.S.$55.30 in 2019, which was partially offset by an increase in export volume from 129.7 million barrels in 2018 to 139.8 million barrels in 2019. In the first five months of 2020, crude oil exports totaled U.S.$1,624 million, a 50.9% decrease from U.S.$3,306 million in the first five months of 2019. This decrease was primarily due to an 14.3% decrease in the export volume, from 57.5 million barrels to 49.3 million barrels and a 42.6% decrease in the price per barrel from U.S.$57.49 to U.S.$32.98. In addition, due to problems with the pipeline that transports oil, production was partially suspended, which reduced production by 18.0% from 79.9 million barrels in the five months of 2019 to 65.6 million barrels in the same period of 2020.

In 2017, 89.5% of the value of oil exports was crude oil and 10.5% was oil derivatives. In 2018, 89.2% of the value of oil exports was crude oil and 10.8% was oil derivatives. In 2019, 89.1% of the value of oil exports was crude oil and 10.9% was oil derivatives.

In 2017, 55.1% of oil exports were exported to the United States, followed by Peru, Chile and others with 15.5%, 15.4%, and 14%, respectively. In 2018, the three main destinations of oil exports were the United States, Peru and Chile with 51.1%, 16.1% and 14.6%, respectively. In 2019, the three main destinations of oil exports were the United States, Panama and Chile with 46.2%, 21.6% and 14.0%, respectively. In the first five months of 2020, they were also the United States, Panama and Chile with 40.5%, 32.7% and 12.5%, respectively.

On December 1, 2016, Petroecuador signed a crude oil sale and purchase contract with PTT Trading International Pte Ltd ("PTT International"), pursuant to which Petroecuador received initial prepayments of U.S.$600 million shortly after signing for crude oil to be delivered during the five-year term of the contract. On December 6, 2016, Petroecuador signed a fuel oil sale and purchase contract with Oman Trading International Ltd ("OTI"), pursuant to which Petroecuador received an initial prepayment of U.S.$300 million for fuel oil to be delivered to OTI during the 30-month term of the contract, which has been already fully amortized by Petroecuador. As of October 2019, all deliveries under the contract had been fulfilled. In connection with each contract, the Republic has agreed to refund to the purchasers any amounts of the prepayments and related surcharges for advance payment which are not otherwise satisfied through the delivery of crude oil or fuel oil, respectively, or refunded by Petroecuador in accordance with the contracts.

In 2018, Petroecuador reached an agreement with Petrochina, Unipec, PTT Public Company Limited and PTT International in order to amend each of crude oil supply agreements between Petroecuador and each of these companies. The new amendments are effective as of May 1, 2018.

Transportation

Ecuador has two major oil pipelines. Most of Ecuador's crude oil production is transported through the Trans-Ecuadorian Pipeline System (the "SOTE"), which links Lago Agrio in the Oriente region to the Balao export terminal on the Pacific coast. The SOTE was built by Texaco (now Chevron) and was transferred to Petroecuador in 1998. The SOTE has a capacity of approximately 360,000 bpd. In 2017, the SOTE transported 131.1 million barrels, averaging 359.1 thousand bpd. In 2018, the SOTE transported 125.6 million barrels, averaging 344.0 thousand bpd. In 2019, the SOTE transported 124.8 million barrels, averaging 342.0 thousand bpd. In the first five months of 2020, the SOTE transported 42.5 million barrels, averaging 279.9 thousand bpd.

In June 2001, Ecuador awarded the construction and operation contract for its second pipeline, the OCP heavy crude oil pipeline, to Oleoducto de Crudos Pesados Ecuador S.A., a consortium of domestic and foreign oil companies. The OCP pipeline was constructed at a cost of U.S.$1.4 billion, all of which was paid by the consortium. Construction was completed in September 2003, and operations began the same month. The contract for the operation of the OCP has a duration of twenty years and ends in 2023. At the end of the contract, the OCP pipeline will become national property. The Ministry of Energy and Mines and Petroleum (now the Ministry of Energy and Non-Renewable Natural Resources) oversaw the construction of the OCP pipeline, and now oversees its operation. The OCP pipeline is made up of two sections, the largest of which was designed to transport a maximum of 517,300 bpd and has a sustainable transportation rate of 450,000 bpd of crude oil of 18o to 24o American Petroleum Institute degrees. In 2017, the OCP transported 59.9 million barrels, averaging 164.1 thousand bdp. In 2018, the OCP pipeline transported 61.2 million barrels, averaging 167.6 thousand bpd. In 2019, the OCP pipeline transported 68.1 million barrels, averaging 186.5 thousand bpd. In the first five months of 2020, the OCP pipeline transported 22.4 million barrels, averaging 147.6 thousand bpd.

On April 7, 2020, a sinkhole in the San Rafael sector prevented the SOTE and the OCP pipelines from receiving and transporting oil. Following this event, on April 10, 2020 the Ministry of Energy and Non-Renewable Resources declared a force majeure event during which the production of Petroamazonas was reduced to 65,000 barrels of oil per day. The declaration of a force majeure event was lifted on May 9, 2020 when the repairs to the SOTE and OCP pipelines were completed and they were declared to be technically operational to receive and transport oil.

On June 4, 2020, the Ministry of Energy and Non-Renewable Resources declared another force majeure event related the suspension of activities of the SOTE pipeline due to the construction of two pipe variants of 380 and 690 meters in length which were intended to protect the integrity of the pipeline following the appearance of a new sinkhole in the San Rafael sector. This force majeure declaration was lifted four days later on June 8, 2020, once the completion of the construction work on the pipe variants was reported.

Refining

Following the Consolidation Decree, Petroecuador is the only company that conducts refining activities in Ecuador. Petroecuador owns three refineries in Ecuador (Esmeraldas, La Libertad and Shushufindi) with processing capabilities of 110,000, 45,000 and 20,000 bpd, respectively. Petroecuador also owns one associated gas processing

plant (Shushufindi), which has a processing capacity of 637.8 million barrels of liquefied petroleum gas ("LPG") and average production of 1,747.6 bpd.

In 2019, Petroecuador's oil-derivatives production amounted to 75.6 million barrels, including gasoline, diesel, fuel oil, jet fuel, liquefied petroleum and fuel blends in terminals, which represented a decrease of 6.0% compared to the 80.5 million barrels of oil derivatives produced in the same period of 2018. This decrease was mainly due to unscheduled maintenance in three of the country's refineries. In the first four months of 2020, Petroecuador's oil-derivatives production amounted to 20.1 million barrels, including gasoline, diesel, fuel oil, jet fuel, liquefied petroleum and fuel blends in terminals, which represented a decrease of 19.1% compared to the 24.9 million barrels of oil derivatives produced in the same period of 2019. This decrease was due to a significant decrease in the demand for oil derivatives as a result of the declaration of the State of Emergency related to the COVID-19 crisis, see "*The Republic of Ecuador—Measures by President Moreno—The 2020 Global Crisis.*"

During 2018, the domestic consumption of oil derivatives was 93.2 million barrels, which represents a 7.7% increase compared to the 86.6 million barrels during 2017. During 2019, the domestic consumption of oil derivatives was 91.0 million barrels, which represents a 2.3% decrease compared to the 93.1 million barrels during 2018. In the first four months of 2020, the domestic consumption of oil derivatives was 23.1 million barrels, which represents a 22.4% decrease compared to the 29.8 million barrels for the same period in 2019. Ecuadorian refineries only produce sufficient oil derivatives to meet approximately 65% of domestic demand. Accordingly, Ecuador is a net importer of oil derivatives, even though it is a net exporter of crude oil.

Esmeraldas' production of oil derivatives increased from 122,919 average bpd in 2017 to 118,717 average bdp in 2018 to 110,601 average bdp in 2019. In 2017, 2018 and 2019 oil derivatives production at the Esmeraldas refinery totaled 44,865,434, 43,331,606 and 40,369,501 barrels, respectively. In March 2018, Petroecuador announced that the Esmeraldas refinery will be undergoing a project of maintenance that will last three years. During this period, different parts of the Esmeraldas refinery were temporarily halted to allow for maintenance. As of March 6, 2019, two units of the refinery were shut down for maintenance. Maintenance work on both units successfully ended on April 26, 2019 and August 2, 2019, respectively, after which the whole plant resumed normal operations.

As of December 31, 2019, there was no private sector participation in the production of oil derivatives. However, on July 15, 2008, Petroecuador and PDVSA Ecuador formed a new entity ("RDP") in which Petroecuador was the majority shareholder (51%) and PDVSA Ecuador was the minority shareholder (49%). RDP was formed to develop a refinery project to be built in the municipality of Manta, Manabí Province, with a total nameplate capacity to be determined. The land rights and environmental licenses necessary to develop RDP were obtained, and a preliminary detailed feasibility study of the project was completed. On October 11, 2018, the Government announced that the British company RPS Energy Ltd. had won the bid to audit the works performed in this refinery project. On January 9, 2019, RPS Energy Ltd. released the results of the audit finding, among others, certain technical anomalies in the project and that there had been price overcharges.

Although the project was initially going to be implemented by Petroecuador and PDVSA through RDP, on March 12, 2019, the Superintendent of Companies, Securities and Insurance approved RDP's liquidation and ordered RDP to commence winding up proceedings. There are currently certain preliminary investigations about, and legal proceedings against, RDP that need to be resolved prior to RDP's liquidation. RDP's liquidation is expected to last several months. As of the date of the Invitation Memorandum, RDP has not yet been liquidated.

In March 2019, the Minister of Energy and Non-Renewable Natural Resources announced that Ecuador would launch in 2019 an international bid for an estimated U.S.$6,500 investment in building and operating a new refinery capable of handling up to 300,000 bpd, the location of which is still to be determined. The bid would also include a concession to improve the facilities in the Esmeraldas refinery. On August 27, 2019, the Ministry of Energy and Non-Renewable Natural Resources made a public call for potential investors to express their interest in designing, building and operating a new refinery. The deadline for interested parties to submit their "expressions of interest" in the project ended on October 21, 2019, at which time six submissions were made. On March 11, 2020, a public bid for the concession of the projects was launched and subsequently suspended as a result of the COVID-19 international health crisis. As of the June 30, 2020, the bid remained suspended.

Domestic Fuel Distribution

In 1993, the Government implemented a free market in domestic fuel distribution, which has led to a rapid modernization of distribution facilities. The price at which gasoline is sold to domestic distributors is fixed by an executive decree of the President in accordance with the Hydrocarbons Law, and set according to variables such as domestic demand and the impact of the price on public finances. Until 1998, the Government had fixed the maximum profit level for distributors at 18%. In 1999, the fixed margin was eliminated. In early 2000, the Government reinstated a 15% fixed margin for regular gasoline and diesel fuels (distributors remained free to set any margin for premium gasoline). Since 2003, the fixed margin has been determined in cents per gallon. In 2005, the margin increased to U.S.$0.71 per gallon of regular gasoline and to U.S.$0.137 per gallon of diesel. These margins were set by executive Decree 338, which was issued in August 2005, and as subsequently modified. Any future change to the profit margin would require a new executive decree.

Decree 338 also regulated the sales price of consumer petroleum derivatives, and set the price for consumers for gasoline and diesel products. The price of gasoline (net of value-added taxes) sold to consumers was fixed at U.S.$1.689 per gallon for gasoline and at U.S.$0.8042 per gallon for diesel. On August 23, 2018, President Moreno enacted executive decree No. 490 which provided that from August 27, 2018, the final price to consumers of high-octane gasoline "super" was fixed at U.S.$2.98.

On December 21, 2018, President Moreno issued Decree 619 eliminating the subsidy on certain types of gasoline and diesel, consequently increasing their prices for consumers. On January 7, 2019, following negotiations with representatives of the transportation sector, and in order to prevent a surge in general consumer prices, the Government agreed to keep in place the subsidy on automotive diesel. On January 12, 2019, the Government agreed with the shrimp industry to establish a compensation system for shrimp producers to minimize the effects of Decree 619 on the shrimp sector. Under Decree 619, the base price of high-octane gasoline "super" for the automotive sector is determined on a monthly basis by Petroecuador based on the international WTI price per barrel of crude oil plus average costs, including transportation, storage, commercial and other costs. At a consumer level, retailers will set their selling price based on market conditions. Under Decree 619, however, the price of diesel for the automotive sector remained fixed at U.S.$1.037.

On October 1, 2019, President Moreno issued Decree 883 expanding the scope of the liberalization of prices for hydrocarbons by eliminating the subsidy on certain types of gasoline and diesel and thereby increasing the prices for these fuels. Following the elimination of the subsidies, prices for gasoline type "extra" and diesel for the automotive sector began to be set on a monthly basis by Petroecuador based on average prices and costs.

On October 3, 2019, various groups organized protests relating to the elimination of the subsidies and increase in prices. On October 14, 2019, President Moreno issued Decree 894 terminating Decree 883, reversing the elimination of the subsidies and ordering the creation of a new policy on subsidies for hydrocarbons. Decree 894 did not set a deadline to implement this new policy. By reversing the elimination of the subsidies, Decree 894 returned the price of gasoline and diesel to the prices existing on October 1, 2019. Decree 894 commits the Government to design a more targeted subsidy policy through a new decree. On December 21, 2019, President Moreno announced that a new proposed policy was being reviewed with emphasis being put on strategies to eradicate the contraband of subsidized products and on determining which sectors and groups to focus the new subsidies policy on and is expected to be implemented between the months of February and April 2020.

On March 9, 2020, international oil prices dropped to their lowest levels since the Gulf War in 1991. The WTI price per barrel of crude oil, which is the benchmark reference for Ecuadorian crude oil, hit a low of U.S.$29.78 on that day. The WTI price per barrel of crude oil continued to decline, reaching U.S.$22.41 per barrel at the close of the trading session on April 13, 2020, and closing at U.S.$12.41 per barrel on April 20, 2020. As of June 30, 2020, the WTI price per barrel of crude oil closed at U.S.$39.27 per barrel.

As a result, on May 19, 2020 President Moreno issued Decree 1054 which allows the price of oil in Ecuador to fluctuate based on the price in the international market of the WTI, while placing a price band that would not allow price fluctuations greater than 5% at service stations. Decree 1054 also repealed the fixed margins that had been established by Decree 338 for diesel 2, premium diesel, extra gasoline and extra gasoline with ethanol. Beginning in May 2020, the price for diesel 2 and premium diesel has been fixed at U.S.$1.00 per gallon and the price for extra gasoline with and without ethanol has been fixed at U.S.$1.75 per gallon. On July 1, 2020, these

prices became subject to the pricing band established pursuant to Decree 1054. This pricing mechanism is to be monitored on a monthly basis by the Republic. The MEF together with the Ministry of Energy and Non-Renewable Natural Resources must prepare and present a biannual report to President Moreno regarding the application of the pricing band. Decree 1054 does not provide guidance on the content of such biannual report.

Several private multinational petroleum companies, including ExxonMobil and PDVSA Ecuador, have established service stations in Ecuador. As of April 30, 2020, Petroecuador maintains a network of 46 service stations of its own and 185 affiliate stations.

Natural and Liquefied Petroleum Gas

An important part of Petroecuador's commercial strategy includes the distribution of natural gas to southern Ecuador in order to reduce the consumption of LPG, the replacement of gasoline use with LPG for taxis and the creation of a network of service stations in order to compete in quality, service and price with private oil companies.

As of December 31, 2017, Ecuador had approximately 165,715 million cubic feet of proven natural gas reserves and 339,709 million cubic feet of proven and probable natural gas reserves. As of December 31, 2018, Ecuador had approximately 156,753 million cubic feet of proven natural gas reserves and 317,101 million cubic feet of proven and probable natural gas reserves. As of December 31, 2019, Ecuador had approximately 139,690 million cubic feet of proven natural gas reserves and 299,982 million cubic feet of proven and probable natural gas reserves. As of April 30, 2020, Ecuador had approximately 136,411 million cubic feet of proven natural gas reserves and 296,702 million cubic feet of proven and probable natural gas reserves.

As of April 30, 2020, CELEC consumed an average of approximately 23 million cubic feet of natural gas per day in the plant Termogas Machala and the Ecuadorian industry consumed an average of approximately 3 million cubic feet of natural gas per day. Their consumption of natural gas defines their future demand.

The natural gas platform at the Amistad field in the bay of Guayaquil was previously operated by the U.S. Company Energy Development Corp. Ecuador Ltd. and then managed by Petroecuador. It is currently operated by Petroamazonas. In 2017, 2018 and 2019, Petroamazonas produced approximately 44.77 million standard cubic feet per day ("mmscfd"), 34.14 million standard cubic feet per day and 33.12 million standard cubic feet per day, respectively, of natural gas, respectively, at the Amistad field and at Petroamazonas' three satellite platforms which also produce natural gas. In the first four months of 2020, Petroamazonas produced approximately 27.82 million standard cubic feet per day of natural gas in those locations.

In August 2013, Petroecuador began tests at the Monteverde LPG terminal. The terminal is a new facility, built as part of a combined LPG storage, transport and distribution project in the Guayas and Santa Elena provinces. Ecuador has invested U.S.$550 million in the combined project, which also includes the Monteverde-El Chorrillo pipeline. This new terminal replaced the floating LPG storage units and related maritime transport to Tres Bocas terminal, thereby generating expected annual savings of U.S.$40 million and easing congestion in the access canal to the Port of Guayaquil. The new facilities, which became operational in 2014, have a capacity to store 76,700 tons of LPG and have storage tanks for diesel and petroleum.

In February 2014, Petroecuador signed a long-term propane and butane requirement contract with Petredec Limited, a liquefied petroleum shipping company. Under the agreement, Petroecuador will buy up to 2,470,000 metric tons (plus or minus 20% at the option of Petroecuador) to be made in monthly deliveries of 72,500 metric tons per month. Petroecuador may also request for up to an additional 30,000 metric tons per month. The first monthly delivery of butane and propane occurred in March 2014 for 72,500 metric tons. According to Petroecuador, the contract is valued at approximately U.S.$2 billion.

On April 24, 2019, President Moreno issued decree No. 724 ("Decree 724") releasing the price of natural gas, liquefied petroleum gas and compressed natural gas produced in the Amistad fields for certain industrial activities to fluctuate based on market conditions. Before Decree 724, prices for these types of gas for certain industrial activities were set periodically by the Government. However, for certain activities in the manufacturing, hospitality and restaurant sectors, as well as for welfare kitchens and other Government programs, Decree 724 sets the price of these types of gas at U.S.$2.0 per million British Termal Units, up to a maximum amount of subsidized

volume of gas which will be set periodically by the *Agencia de Regulación y Control Hidrocarburífero* (the "Hydrocarbons Regulatory Agency" or "ARCH"). Decree 724 did not affect the prices of gas for domestic use.

Mining

The Mining Law establishes norms for the exercise of the Government's rights to manage and control the mining sector, in accordance with the principles of sustainability, precaution, prevention and efficiency. It provides that it is the Government's responsibility to oversee all aspects of the mining process, such as exploration, development, industrialization and marketing and authorizes the Republic to invest directly or through joint ventures with domestic or foreign private sector entities. In addition, it authorizes the Republic to both hire and grant licenses and concessions to wholly owned private entities to conduct all phases of development. However, the Republic cannot grant ownership rights in the soil and subsoil mineralogical wealth to entities that are not controlled by state entities.

The mining sector represents a small portion of GDP (0.43% in 2019, 0.44% in 2018 and 0.48% in 2017) but it represents an important source of potential resources for the development of the Republic. Currently, there are five projects in advanced stages of completion two copper mines and three gold mines. Of these five mining projects, the Mirador Project and the Fruta del Norte Project started production in 2019, both projects with an expected U.S.$860 million investment over 2019 and 2020.

The Mirador Project, located in the Zamora Chinchipe province, is the largest copper project in Ecuador. The Mirador Project is financed in part through a concession to Ecuacorriente S.A., a joint-venture owned by the Chinese companies China Railway Construction Corporation ("CRCC") and Tongling Nonferrous Metals Group. From 2010 to the second semester of 2018, the executed investment was U.S.$1,169 million and Ecuacorriente S.A. is planning an investment of approximately U.S.$2,015 million (exploration, economic evaluation, construction, mine closure and other investments). The expected life cycle of the mine is 27-30 years from the start of production. The Republic expects that the project will generate approximately U.S.$7.64 billion in revenue for the Republic during the project's lifetime. Despite the project being partially suspended over environmental concerns since March 2018, the construction of the copper mine was completed and began operations on June 18, 2019, becoming Ecuador's first large-scale mining project. Due to circumstances related to the State of Emergency ordered as a consequence of the COVID-19 outbreak, exploitation of the Mirador mine was suspended once again in March 2020, with only maintenance operations currently taking place in the mine. As of March 2020, the Mirador Project has extracted and processed 4,955,093 tons of minerals, a 0.8% of the exploitable ore of the mine. The Mirador Project also features Ecuador's first processing plant for large-scale mining, encompassing all stages of processing to make the copper ready for export.

The Fruta del Norte Project, located in the Zamora Chinchipe Province, is a gold and silver ore deposit owned by the Lundin Gold group, which started operations in the fourth quarter of 2019. From 2007 to the first semester of 2018 the executed investment was U.S.$669 million, Lunding Gold is planning an investment of approximately U.S.$1.24 billion (exploration, economic evaluation, CAPEX, OPEX, and mine closure) that will be made over a 13-15-year period. The gold and silver ore deposit in the Zamora Chinchipe Province began construction in the second quarter of 2017. The Government estimates that the project will produce 3,500 tons of ore and silver per day. The Republic expects that the project will generate approximately U.S.$1,523 million. The Fruta del Norte Project was formally inaugurated on November 14, 2019.

On March 22, 2020 the Lundin Gold group announced that it would suspend its normal operations in the Fruta del Norte Project and switch to a period maintenance activities at the Project. The action by the Lundin Group was a response to the COVID-19 outbreak and the State of Emergency established by the Republic. On June 1, 2020 the Lundin Group announced that the first phase for restarting operations is underway.

The Río Blanco project is mainly a gold mining project located in the Azuay Province owned by Junfield Resources S.A. which began construction in August 2016. This project is classified as medium mining as it is expected to produce an estimated 800 tons per day. From 2010 to the first semester of 2018, the executed investment was U.S.$18 million, Junfield Resources S.A. is planning an investment of approximately U.S.$89 million (exploration, economic evaluation, CAPEX, OPEX, and mine closure) that will be made over an 11-year period. The Río Blanco project was expected to start production in the third quarter of 2018 but as of the date of the Invitation Memorandum is currently suspended under court order finding in favor of the people of the communities

surrounding the project. On August 3, 2018, the lower court order to suspend the project's mining activities was affirmed on appeal.

The Loma Larga project, located in the Azuay Province, is a gold, silver, and copper deposit owned by INV Metals Inc. that is expected to begin construction in 2020 and start production in 2022. From 1999 to the first semester of 2018 the executed investment was U.S.$61 million. The Loma Larga is expected to generate around U.S.$511 million of revenue to the Republic with an investment of over U.S.$432 million (exploration, economic evaluation, CAPEX, OPEX, and mine closure). On November 29, 2018, the then Minister of Energy confirmed the project's technical and economic feasibility, citing the results of a study performed on the project by an international consortium led by the firm DRA Americas Inc. On February 1, 2019, the CNE approved public consultations to be held on March 24, 2019, in the Girón canton, Azuay province, to approve or reject mining activities in Girón. In response, the Ministry of Energy and Non-Renewable Natural Resources lodged a complaint with the Constitutional Court to enjoin the consultations alleging the CNE lacked legal authority to approve them. On March 13, 2019, a judge temporarily suspended the public consultations until the Constitutional Court ruled on the matter. On March 18, 2019 the Constitutional Court rejected the complaint on the basis that the statute of limitations had elapsed. On March 24, 2019, the consultations were held, resulting in the rejection of mining activity in Girón by 87.79% of the votes. Following the vote, INV Metals, Inc. announced that it was considering relocating its processing and waste facilities outside of Girón, as Loma Larga's mineral resources and reserves are already located outside the canton. In April 2020, INV Metals Inc. announced the results of an updated feasibility study on the project incorporating the relocation of the plant and tailings facility. The updated feasibility study shows that the capital and operating costs of the project have not changed materially since the previous feasibility study conducted in 2019. The company is currently completing the environmental permitting process before Ecuador's Ministry for the Environment.

The San Carlos Panantza project, located in Morona Santiago Province, is a copper deposit owned by CRCC with an expected life cycle of the mine of 25 years from the start of production. From 2010 to the first semester of 2018 the executed investment was U.S.$23 million and the expected investment is approximately U.S.$3 billion. The San Carlos Panantza project is currently suspended due to protests by the Shuar-Achuar Nankints community based on the allegation that the project is being constructed on ancestral lands. On March 28, 2020, a group of people conducted an attack on the facilities and took the La Esperanza camp at the project by force. After police and military intervention in the area, the facilities were recovered and permanent surveillance put in place. As of the date of the Invitation Memorandum, there is not an estimated date for lifting the suspension of the project and resuming operations.

There are also six projects in an initial exploration stage which have been identified as having high mining potential, referred to as the second generation projects: Cascabel, Llurimagua, Ruta del Cobre, Crangrejos, La Plata and Curipamba (the "Second Generation Mining Projects"). As of the date of the Invitation Memorandum, the Second Generation Mining Projects remain at their exploration phase, with expectations to start the exploitation phase in the short to medium term. As of the date of the Invitation Memorandum, the executed investment of the Second Generation Mining Projects has been approximately U.S.$312.3 million.

On April 24, 2019, President Moreno issued decree No. 722 requiring that, within 30 days, the Minister of Energy and Non-Renewable Natural Resources update, define and issue a new Ecuadorian mining policy and the guidelines for its application and execution. On June 30, 2019, the Government officially presented the new mining policy which sets out the plans for the mining sector for the years 2019 to 2030, giving the sector a central role in the country's economic development. On August 22, 2019, the Government's *Agencia de Regulación y Control Minero* (the "Mining Control Agency" or "ARCOM") published the *Reglamento para el Control de las Exportaciones de Minerales* (the "Regulation on Mining Exports Control") which creates the mechanisms to trace the origin of extracted minerals set for exportation, to sample and verify their composition, and to authorize their exportation through the issuance of certificates. On October 7, 2019, a court issued an injunction against the Regulation on Mining Exports Control, preventing the ARCOM from issuing new certificates allowing for mining exports. Until October 23, 2019, 53 exports remained suspended due to the injunction. On October 30, 2019, a court revoked the injunction allowing for the ARCOM to resume the application of the Regulation on Mining Exports Control.

The outbreak of the COVID-19 pandemic has affected the normal operations of the mining industry. Following the State of Emergency declared by President Moreno in March 2020, various mining projects such as the Fruta del Norte Project and the Mirador Project have halted normal production and switched to a maintenance phase.

Other parts of the sector are working on a similarly limited basis, while a portion completely detained operations. The Ministry of Energy and Non-Renewable Resources has taken steps to ameliorate the impact to the mining sector during the health emergency. For example, on March 23, 2020, it extended the deadline that companies have to pay for mining conservation patents.

According to the Ministry of Energy and Non-Renewable Natural Resources, as of May 6, 2020, the COVID-19 crisis, and in particular the constraints to mobility and other restrictions resulting from the State of Emergency, has prevented the export of minerals valued at approximately U.S.$72.5 million with 70% of such losses coming from the copper and gold operations at Mirador and Fruta del Norte.

Electricity and Water

As of December 31, 2017, 2018 and 2019, and as of June 30, 2020, hydroelectric plants supplied approximately 83.5%, 82.5%, 88.6% and 92.0%, respectively, of the power in Ecuador. The increase in power supplied by hydroelectric plants is due to the development of a matrix of hydroelectric plants built throughout Ecuador, notably the Delsitanisagua plant in 2018 and the Minas San Francisco plant in 2019. Ecuador's objective in developing this matrix is to reduce its consumption of oil through oil based generators, thereby decreasing oil imports and electric energy imports and improving energy independence. Ecuador also plans to replace household oil-based consumption (for cooking and heating as further described below) with electricity-based consumption through the hydroelectric power grid, with the goal of eliminating the need for a gas subsidy.

The Santiago hydroelectric project is located at the Morona Santiago province and has a 3,600 MW capacity expected to generate approximately an average of 15.060 GWh per year. The required investment for the Santiago hydroelectric project is U.S.$2,590 million. The Cardenillo hydroelectric project is located at the Azuay province, and has a 596 MW capacity expected to generate approximately an average of 3.356 GWh per year. The required investment for the Cardenillo hydroelectric project is U.S.$1,050 million.

The 1,500 MW Coca Codo Sinclair plant was inaugurated on November 18, 2016. It can generate an average of 8.73 GWh per year and has the potential to supply approximately 30% of the country's electricity needs. In November 2016, all eight turbines in the plant became operational, each generating 187.5 MW and a total of 1,500 MW of power, or 30% of Ecuador's electricity needs. However, due to lower-than-expected demand in 2017, the plant supplied 25% of the country's electricity needs, or 5,838 GWh. The plant is expected to reduce 3.5 million tons of carbon emissions per year and replace oil energy consumption for domestic purposes such as cooking and water heating. The plant joined the existing infrastructure of hydroelectric plants that include the 21 MW Mazar plant in the Azuay province, the 1,075 MW Paute-Molino plant near Cuenca, the 270 MW Minas San Francisco plant, the 50 MW Quijos plant, and the 487 MW Sopladora and Cardenillo plants planned along the Paute River. On November 5, 2018, the German multinational TÜV SÜD was selected to diagnose the state of the structure and establish a viable plan of action for any necessary repairs, after a draft report by the Government found certain structural deficiencies in the project.

Many of these hydroelectric projects are financed through agreements with bilateral lenders, including China Exim Bank, which has provided U.S.$1,700 million to finance the Coca Codo Sinclair project, U.S.$571 million to finance the Sopladora hydroelectric project and U.S.$313 million to finance the Minas San Francisco hydroelectric project, the Brazilian National Economic and Social Development Bank which has provided U.S.$90.2 million to finance the Manduriacu hydroelectric power plant project near Quito, and Société Générale and Deutsche Bank which in April 2014 committed to provide together an additional U.S.$50 million to finance the Manduriacu hydroelectric power plant.

Construction on the new line of hydroelectric plants continued in 2016 including the 180 MW Delsitanisagua hydroelectric plant and the 254 MW Toachi Pilaton hydroelectric plants, and the construction of a reservoir in the Minas San Francisco project. The construction of these hydroelectric plants is due to an enhanced effort by the Government to invest in the sector. The Minas San Francisco power station was completed and inaugurated on January 15, 2019, and will benefit 220,000 families in Southern Ecuador. The Republic has engaged a new contractor to resume works on the Toachi Pilaton plant to complete construction. The project is expected to be completed in 2021.

In March 2014, former President Correa announced a new program to substitute electricity use in place of gas use. Under this program, beginning in November 2014, the Government began to sell subsidized stoves to replace gas stoves. Former President Correa stated that the use of electric stoves would enable the Government to terminate the gas subsidies in 2017 and the net effect on the Government budget will be positive due to the elimination of the subsidies, with savings of approximately U.S.$800 million a year. However, eliminating gas subsidies for domestic use is not an immediate goal for this administration.

The Government has also increased investment in the water sector in order to alleviate flood conditions and access to potable water in various parts of the country. Ecuador's national water authority, *Secretaría de Agua*, currently has invested U.S.$1,233 million out of U.S.$1,560 million for six multi-purpose projects to improve flood control and irrigation. One of the most important projects in the water sector is the Multipropósito Chone project in the Manabí province. Financed by the Government and private partners, the U.S.$168.4 million project built a dam to alleviate the flood conditions of the region. The project also built a drain system, which serves for irrigation purposes and provides a drinking water supply for Chone city. The cost of this project includes mitigation costs of U.S.$41.7 million in the surrounding areas to compensate inhabitants in those areas.

Other water projects include: (i) the Cañar project at a cost of U.S.$360.5 million to protect approximately 40,000 hectares along the Cañar River and its adjoining streams through a system of levees, including a 24-kilometer bypass, (ii) four new bridges, (iii) a flood regulatory system and 173 km of dyke walls, (iv) the U.S.$372.7 million Daule-Vinces project that redirects water from the Daule River and transports it along a 38.73 kilometer canal to dry farmlands and (v) the Naranjal project at a cost of U.S.$181.7 million to protect approximately 44,000 hectares, seven new bridges and 158 km of dyke walls.

These flood control projects reduce the social and economic damage caused by floods in the winter season, allowing the Government to reallocate resources previously used to repair the damage to other projects. In 2018, the electric and water sectors contributed a total of U.S.$1,710.6 million to the GDP, a decrease compared to U.S.$1,826.5 million in 2017. This decrease was principally due to a 6.3% decrease of average prices compared to 2017, despite a 3.5% increase in production. In 2019, the electric and water sectors contributed a total of U.S.$1,892.1 million to the GDP, an increase compared to U.S.$1,710.6 million in 2018. This increase was principally due to the increase in total water production by 19.2%, especially for the Hidropaute and Coca Codo Sinclair plants (13.6% and 3.2%, respectively). For the first quarter of 2020, the electric and water sectors contributed a total of U.S.$487.9 million to the GDP, an increase compared to U.S.$471.7 million for the same period in 2019. This increase was principally due to a 3.7% increase in total water production, lead by the Hidropaute plant.

On October 1, 2019, CELEC EP authorized the entry into a U.S.$60.1 million line of credit with the Government of Japan, through the Japan International Cooperation Agency (the "JICA") to develop the 50 megawatt Chachimbiro geothermal project which will required an estimated U.S.$250 million investment, to be located at the Urcuquí canton of the Imbabura province. The Government is moving forward with this project as part of its long-term national policy to expand the electric power sector of Ecuador.

Telecommunications

In 2018, the mail and communications sector accounted for U.S.$1,982 million (1.83% of the GDP), an increase of 2.6% compared to U.S.$1,932 million (1.85% of the GDP) in 2017. This increase was principally due to an increase in the average number of active mobile service lines by 2% and a 6.7% increase in the number of internet accounts from 10.6 million in 2017 to 11.3 million in 2018. In 2019, the mail and communications sector accounted for U.S.$2,012 million (1.87% of the GDP), an increase of 1.5% compared to U.S.$1,982 million (1.83% of the GDP) in 2018. This increase was principally due to a 3.9% increase in number of the active mobile subscribers and an increase in the number of internet service subscribers by 1.2%. For the first quarter of 2020, the mail and communications sector accounted for U.S.$511 million (1.98% of the GDP), a 4.4% increase compared to U.S.$490 million (1.83% of the GDP) in the same period of 2019. This increase was principally due to the amount of internet service subscribers, which increased by 1.4%.

In 2008, Ecuador granted Spain's Telefónica (currently operating in Ecuador as "Movistar") and Mexico's América Móvil (currently operating in Ecuador as "Claro") 15-year concession contracts to provide the country with telephone and 3G services. The concessions are extensions of previous agreements both companies had with

Ecuador and are expected to generate U.S.$840 million in revenues for Ecuador over the course of the term of the concessions. In February 2015, Ecuador amended the concession to provide the country with 4G services.

In February of 2015, the National Assembly enacted the Telecommunications Law as a means to improve access to quality telecommunications services and to increase the use of information technology in rural sectors.

Other Sectors of the Economy

Agriculture

Before the discovery of petroleum fields in provinces of the Orient region in the 1970's, the agriculture sector had traditionally been the largest contributor to Ecuador's GDP. Of Ecuador's total 27.1 million hectares, 7.8 million are devoted to agriculture and livestock. Ecuador's diverse climatic conditions, varying altitudes and rich volcanic soil are well suited to tropical and subtropical agriculture. Ecuador's primary product from this sector, which is also the Republic's most significant non-oil export, is bananas. Ecuador also exports significant amounts of coffee, flowers, and cacao. In 2018, the agricultural sector represented 8.11% of the GDP compared to 8.18% of the GDP in 2017. In 2019, the agricultural sector represented 7.8% of the GDP compared to 7.8% of the GDP in 2018.

In 2018, banana exports totaled U.S.$3,196 million, a 5.3% increase from U.S.$3,035 million in 2017 primarily due to a 2.9% increase in the export volume from 6,573 thousand metric tons to 6,761 thousand metric tons, as well as due to a 2.4% increase in the unit price per metric ton from U.S.$461.6 to U.S.$472.7. In 2019, banana exports totaled U.S.$3,295 million, a 2.5% increase from U.S.$3,216 million in 2018 primarily due to an increase in the unit price per metric ton by 2.4% while the export volume remained almost the same in 2019 and 2018. In the first five months of 2020, banana exports totaled U.S.$1,681 million, a 16.3% increase from U.S.$1,444 million in the first five months of 2019, primarily due to a 9.0% increase in the export volume from 3,033 thousand metric tons to 3,306 thousand metric tons, as well as an increase in the price per metric ton of 6.7%.

Ecuador also exports significant amounts of cacao. In 2018, cacao exports totaled U.S.$664 million, a 12.9% increase from U.S.$588 million in 2017 primarily due to a 3.4% increase in the export volume from 284 thousand metric tons to 294 thousand metric tons and a 9.2% increase in the unit price per metric ton from U.S.$2,070.3 to U.S.$2,260.9. In 2019, cacao exports totaled U.S.$657 million, a 2.2% decrease from U.S.$672 million in 2018 primarily due to an 8.7% decrease in export volume from 296.6 thousand metric tons to 270.8 thousand metric tons, which was offset by a 7% increase in the unit price per metric ton. In the first five months of 2020, cacao exports totaled U.S.$262 million, a 23.5% increase from U.S.$212 million in the first five months of 2019. This increase was mainly due to a 7.5% increase in the export volume from 92.7 thousand metric tons to 99.7 thousand metric tons and a 14.9% increase in unit price per metric ton.

In 2018, flower exports totaled U.S.$852 million, a 3.4% decrease from the U.S.$881 million in 2017 primarily due to a 0.9% decrease in production, from 159 thousand metric tons to 158 thousand metric tons and a 2.5% decrease in the unit price per metric ton from U.S.$5,543.5 to U.S.$5,407.1. In 2019, flower exports totaled U.S.$880 million, a 4.4% increase from the U.S.$843 million in 2018 primarily due to a 2.3% increase in the export volume from 155 thousand metric tons to 158 thousand metric tons and a 1.9% increase in the unit price per metric ton. In the first five months of 2020, flower exports totaled U.S.$403 million, a 3.5% decrease from the U.S.$418 million in the first five months of 2019. This decrease was mainly due to a 1.8% decrease in the volume from 71 thousand metric tons to 69 thousand metric tons and a 1.7% decrease in the unit price per metric ton.

Fishing

Another important aspect of Ecuador's agriculture is its fishing exports. Ecuador exports significant amount of tuna and other fish, but its predominant fishing export is shrimp. Ecuador is the largest shrimp producer in the Americas, and one of the largest shrimp producers in the world.

In 2018, shrimp exports totaled U.S.$3,235 million, a 6.5% increase from U.S.$3,038 million in 2017 primarily due to a 15.6% increase in the quantity exported from 438 thousand metric tons to 506 thousand metric tons, despite a 7.9% decrease in the unit price per metric ton from U.S.$6,936 to U.S.$6,391. In 2019, shrimp exports totaled U.S.$3,891 million, a 22.0% increase from U.S.$3,190 million in 2018 primarily due to a 26.0% increase in the export volume from 512 thousand metric tons to 645 thousand metric tons, which was offset by a 3.2% decrease

in the unit price per metric ton. In the first five months of 2020, shrimp exports totaled U.S.$1,663 million, a 12.2% increase from U.S.$1,482 million in the first five months of 2019. This increase was mainly due to a 16.4% increase in the export volume from 256 thousand metric tons to 298 thousand metric tons, which was offset by a 3.6% decrease in the unit price per metric ton.

In 2018, fishing exports, other than shrimp, totaled U.S.$303.7 million, a 25.2% increase from U.S.$242.5 million in 2017 primarily due to a 6.3% increase in export volume from 73 thousand metric tons to 78 thousand metric tons and a 17.8% increase in the unit price per metric ton from U.S.$3,321.7 to U.S.$3,912.2. In 2019, fishing exports, other than shrimp, totaled U.S.$308.0 million, a 0.05% decrease from U.S.$308.1 million in 2018 primarily due to an 8.1% decrease in the export volume from 89 thousand metric tons to 82 thousand metric tons which was almost entirely offset by an 8.8% increase in the unit price per metric ton. In the first five months of 2020, fishing exports, other than shrimp, totaled U.S.$143.6 million, a 3.0% decrease from U.S.$148.1 million in the first five months of 2019. This decrease was mainly due to a 13.0% decrease in the export volume from 36 thousand metric tons to 32 thousand metric tons, which was partially offset by a 11.5% increase in the unit price per metric ton.

Manufacturing

Manufacturing, excluding petroleum products, is dominated by consumer products such as food, beverages, textiles, and paper, with a concentration of imported intermediate and capital goods. The manufacturing sector contributed, 13.29%, 13.12% and 13.0% to the GDP, per year for the years 2017, 2018 and 2019, respectively.

Ecuador's main manufactured non-petroleum exports are processed cocoa, processed coffee, drugs and chemicals and fish meal. In 2018, manufacturing reached U.S.$13,779 million, a decrease of 0.5% compared to U.S.$13,866 million in 2017. In 2019, manufacturing reached U.S.$13,963 million, an increase of 1.3% compared to U.S.$13,779 million in 2018.

Ecuador's membership in international trade organizations and its status as a party to various multilateral agreements such as ALADI, CELAC, and the Community of Andean Nations have contributed to the opening of new markets for the sale of Ecuadorian goods abroad and challenged domestic manufacturers to operate more competitively. On December 12, 2014, representatives from Ecuador's Ministry of Foreign Commerce signed a trade agreement with the European Union. In the first five months of 2020, 22.2% of Ecuador's non-petroleum exports, or U.S.$1,346.2 million, were sold in the European Union, compared to 23.0%, or U.S.$1,268.8 million, for the same period in 2019. On May 15, 2019, Ecuador, together with Peru and Colombia, signed a trade agreement with the United Kingdom to preserve their mutual trade commitments should the United Kingdom exit the European Union as a result of the United Kingdom's exit from the European Union. With this trade agreement, the Republic and the United Kingdom intend to replicate their current trade commitments under the Multiparty Trade Agreement with the European Union. This agreement will not enter into force while the Multiparty Trade Agreement continues to apply to the United Kingdom. For more information, see *Balance of Payments and Foreign Trade—Foreign Trade—Trade Policy.*

Construction

In 2019, 2018 and 2017, the construction sector accounted for 10.88%, 11.27% and 11.59% of GDP, respectively. The steady increase in construction and the large percentage of GDP that it represents is a result of the construction activity in connection with the Republic's infrastructure projects, particularly the development of new oil fields, and the hydroelectric and flood control projects of the past years. In 2018, construction activity increased by 0.3% in nominal terms compared with 2017. In 2019, construction activity decreased by 3.6% in nominal terms compared with 2018.

Tourism

The 2017 Budget allocated U.S.$24.2 million for tourism. The initial 2018 Budget allocated U.S.$20.16 million for tourism and was later modified to U.S.$21.50 million. The 2019 Budget allocated U.S.$18.0 million for tourism. The 2020 Budget, as approved, allocates U.S.$21.3 million for tourism. In 2019, the largest number of foreign entrants to the Republic came from Venezuela, the United States and Colombia, accounting for 24.9%, 19.7% and 15.2% of foreign entrants, respectively.

Transportation

The most significant road projects in Ecuador are the Manta (Ecuador)-Manaus (Brazil) road network, linking the Pacific Ocean with the Atlantic and the Troncal-Amazonica road, which runs from north to south, linking the Colombian and Peruvian borders. The Troncal-Amazonica road was completed in early 2016 with the construction of the El Tigre bridge and a portion of the Manta-Manaus road network. The Manta-Manaus road-network is currently under construction, although there is no definitive completion date. Both projects are not toll roads and were financed by oil revenues and financing from CAF.

In the one-year period between May 2018 and May 2019, the Government invested approximately U.S.$800 million in building, rebuilding and expanding 14 highways and five bridges, and started the Quito-Guayaquil super-highway connecting Ecuador's two most important cities. During that period, the Government granted concessions for the construction of roads and highways connecting the cities of Machala and Salinas to Guayaquil, and started the process to grant a concession over the construction of a highway connecting Jujan, Quevedo and Santo Domingo.

In February of 2013, a new international airport opened in the suburbs of Quito. The airport cost was U.S.$700 million and was financed by Quiport S.A., an international consortium led by AECON Construction Group and HAS Development Corporation. The new airport features the largest control tower and the longest runaway of any international airport in Latin America. Phase 2 of the airport, which includes the expansion of the passenger terminal, new jet bridges, and the expansion of the shopping areas was financed by Quiport S.A. and cost U.S.$70.5 million. Construction of Phase 2 of the airport was completed in 2015, and began operating as a passenger terminal in May of that year. A new road and bridge to reduce congestion from the previous single bridge and highway that led to the airport have been completed.

In February 2014, the municipality of Cuenca began construction of the *Tranvía Cuatro Ríos*, a 21.4-kilometer tram system with 27 stations. The project is planned to connect the airport and city-center to the outlying suburbs of the city. The project is estimated to cost U.S.$232 million and was financed, in part, by a 15-year loan entered into in January 2013, pursuant to the French government's Emerging Country Reserve Loan program.

Construction of a subway system in Quito based on the Metro of Madrid has been under way since 2012. As of the date of the Invitation Memorandum, approximately 95% of construction of the subway system in Quito has been completed. On March 18, 2019 President Moreno boarded a subway train to signal the beginning of the testing of the subway system. This metro system is expected to connect the northern business and residential areas of Quito to Quito's historic city center and will consist of 22.5 km of subway lines and 15 stations serving approximately 400,000 daily passengers. The project's budget is U.S.$2,009 million through completion and it is expected to be pre-operational in December 2020 and to be commercially operational in March 2021. This project has been partially financed with loans from multilateral organizations such as the World Bank, the IDB, the European Investment Banks and CAF. As of June 29, 2020, the project has a financing gap amounting to U.S.$38.3 million.

Employment and Wages

The National Council on Wages sets the minimum wage for workers in the private sector on an annual basis. The monthly minimum wage for a job in the private sector increased from U.S.$375 for 2017 to U.S.$400 for 2020. Public sector employee wages are based on the wage scale determined by the Ministry of Employment. The following table shows the increase in minimum wage from 2017 to 2020.

Monthly Minimum Wage (1)
(in U.S.$)

2017	2018	2019	2020
375	386	394	400

Source: Ministry of Employment.
(1) *Minimum wages set annually.*

Private employee salaries received a boost with the introduction of the "Living Wage" concept into the Republic's labor laws. Enacted in December 2010, this law dictates that any company that generates a profit will distribute it amongst its employees until their total income has risen to the level of the living wage. The value of the living wage is determined annually by INEC on the basis of the cost of living and the number of family members in each family unit.

The following table shows certain labor force and employment data for the periods indicated:

Labor Force and Employment
(in thousands of persons, except percentages)

	As of December 31,		
	2017	**2018**	**2019**
Total Population[(1)]	16,777	17,224	17,268
Labor Force [(2)]	11,938	12,239	12,403
Labor Force Participation [(3)]	8,086	8,027	8,099
Labor Force Participation Rate	67.73%	65.59%	65.30%
Employed Labor Force	7,712	7,731	7,788
Unemployed Labor Force	374	296	311
Unemployment Rate [(4)]	4.62%	3.69%	3.84%

Source: Based on figures from INEC as of December 2019.
(1) Total population numbers based on yearly projections from 2010 census.
(2) Refers to population above minimum working age (15 years old), irrespective of employment status.
(3) Also referred to as economically active population.
(4) As a percentage of economically active population.

In 2009, in order to reduce unemployment, the Ministry of Employment established the *Red Socio Empleo* ("Employment Partner Network"), a government agency designed to assist with employment searches and provide educational opportunities abroad for future work in Ecuador. The agency provides scholarships and allows individuals looking for work to post resumes, create their own web pages, and schedule interviews with potential employers online.

From 2017 to 2019, the rate of unemployment decreased from 4.62% as of December 31, 2017, to 3.84% as of December 31, 2019.

From 2017 to 2019, the rate of individuals who were unable to obtain full-time work to receive a salary meeting the official minimum wage, or underemployment, increased from 52.95% as of December 31, 2017, to 57.31% as of December 31, 2019.

The labor force participation rate of the Ecuadorian economy decreased by an aggregate of 2.43% from 2017 to 2019 and unemployment and underemployment decreased by 0.78% and increased by 4.36 %, respectively, for that same period. In 2018, the labor force participation rate decreased to 65.59% from 67.73% in 2017; the underemployment rate increased to 55.25% from 52.95% in 2017, but the unemployment rate decreased to 3.83% from 4.62% in 2017.

As of December 31, 2019, the labor force participation rate decreased to 65.30% from 65.59% as of December 31, 2018. As of December 31, 2019, the underemployment rate increased to 57.31% from 55.25% as of December 31, 2018. As of December 31, 2019, the unemployment rate increased to 3.84% from 3.69% as of December 31, 2019.

The following table sets forth information regarding the unemployment and underemployment rates, and real minimum wages for the periods presented:

Wage and Unemployment

	As of December 31,		
	2017	**2018**	**2019**
Unemployment rate (% of economically active population)[(1)]	4.62	3.69	3.84
Underemployment rate (% of economically active population)[(2)]	52.95	55.25	57.31

Source: Based on figures from INEC as of December 2019.

(1) Refers to population at or above the minimum working age that is not employed and is willing to work (even if not actively seeking work) as a percentage of the total labor force.

(2) Refers to individuals who are unable to obtain full-time work to receive a salary meeting the official minimum wage.

As of May 2020, due to the global COVID-19 crisis and the economic situation resulting from both the health crisis and the decline in international oil prices, approximately 115,000 jobs have been lost in the private sector and 3,000 in the public sector, according to the Minister of Labor.

Poverty

In recent years, Ecuador has seen increases in levels of urban poverty and rural poverty. The urban poverty rate increased from 13.2% to 17.2% between 2017 and 2019, while the rural poverty rate increased from 39.3% to 41.8% across the same time frame, resulting in an aggregate increase of the poverty rate from 21.5% as of December 2017 to 25.0% as of December 2019. Extreme poverty rates have also increased from 3.3% of all urban households in 2017 to 4.3% of all urban households in 2019, and increased from 17.9% of all rural households in 2017 to 18.7% of all rural households in 2019, resulting in an aggregate increase of the extreme poverty rate from 7.9% as of December 2017 to 8.9% as of December 2019.

The urban poverty rate increased to 17.2% as of December 2019 from 15.3% as of December 2018, and the rural poverty rate decreased to 41.8% from 40.0% across the same time frame, resulting in an aggregate increase of the poverty rate from 23.2% as of December 2018 to 25.0% as of December 2019. Extreme poverty rates have also increased from 4.1% of all urban households as of December 2018 to 4.3% of all urban households as of December 2019, and increased from 17.7% of all rural households as of December 2019 to 18.7% of all rural households as of December 2019, resulting in an aggregate increase of the extreme poverty rate from 8.4% as of December 2018 to 8.9% as of December 2019.

The Republic believes that the significant expansion of the *Bono de Desarrollo Humano* ("Human Development Bond") undertaken by the Government represents an important means of support of Ecuadorian households living in poverty. The Human Development Bond is a cash transfer program for those in the lower 40% of income distribution who are either representatives of households (preferably women who are listed as heads of households or spouses), mothers of children under the age of 16, persons above the age of 65 who are not affiliated to a social security system, or persons with 40% or more of a disability who are not affiliated to a social security system. In December 2017, President Moreno issued decree No. 253, whereby the Human Development Bond was enhanced from U.S.$50 up to U.S.$150 depending on the number and age of dependent children.

The following table shows the percentage of households in poverty for the periods indicated.

Percentage of Households in Poverty
(in percentages)

	Poverty Based on Income [1]			Extreme Poverty Based on Income [2]			Poverty Based on Lack of Basic Necessities [3]		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
December 2017	13.2	39.3	21.5	3.3	17.9	7.9	20.5	56.1	31.8
December 2018	15.3	40.0	23.2	4.1	17.7	8.4	21.4	59.5	33.5
December 2019	17.2	41.8	25.0	4.3	18.7	8.9	n/a	n/a	n/a

Source: Based on figures from INEC as of December 2019.
(1) Persons whose income is below the poverty line. As of December 2019, the poverty line, as determined by Ecuador, is U.S.$84.82/month, per person.
(2) As of December 2018, the extreme poverty line is U.S.$47.80/month per person.
(3) This number is based on information taken at the census regarding the lack of availability of basic necessities. Variables considered in this figure include literacy rates and access to potable water, sewage systems and hygienic services, electricity, running water, telephone lines, doctors and hospital beds per 1,000 persons.

Social Security

The social security system in Ecuador is administered by the *Instituto Ecuatoriano de Seguridad Social* ("Ecuadorian Social Security Institute" or "IESS"), as well as by the *Instituto de Seguridad Social de las Fuerzas Armadas* and the *Instituto de Seguridad Social de la Policía Nacional* (the Social Security programs of the Armed Forces or "ISSFA" and the Ecuadorian Police Department or "ISSPOL," respectively). The Ecuadorian Social Security System is a trans-generational model where the current work force funds the benefits of those who are no longer in the work force and permits retirees to also make on-going contributions to their retirement fund.

Social security benefits are a constitutional right for all workers and their families, designed to protect the insured in case of illness, maternity, unemployment, disability, old age and death. The social security system also provides financing for workers' housing. Ecuador's social security system is financed by contributions from the Government, employers and employees. The level of employee contribution is based on an employee's income. The monthly pension is based on a percentage of the insured's average monthly earnings in his or her five highest years of earnings. The minimum monthly pension for retirees who contributed to the IESS is U.S.$200 for ten or fewer years of contribution, U.S.$240 for 11 to 20 years of contribution, U.S.$280.20 for 21 to 30 years of contribution, U.S.$320 for 31 to 35 years, U.S.$360 for 36 to 39 years of contribution and U.S.$400 for 40 or more years of contribution.

Retirees benefit from the IESS system once they have left employment. As of May 31, 2020, IESS, ISSFA and ISSPOL had 530,248, 42,315 and 24,604 beneficiaries, respectively.

In 2018, total non-financial public sector contributions to social security were U.S.$5,541 million, or 5.2% of GDP, an increase from U.S.$5,415 million, or 5.2% of GDP in 2017. In 2019, total non-financial public sector contributions to social security were U.S.$5,863 million, or 5.5% of GDP, an increase from U.S.$5,541 million, or 5.2% of GDP in 2018. This increase was primarily due to the campaigns undertaken by the IESS and the Ministry of Labor to formalize the work throughout the country, especially that of migrants. In the first four months of 2020, total non-financial public sector contributions to social security were U.S.$1,871 million, an increase from U.S.$1,874 million in the first four months of 2019. This increase was primarily due to the incorporation of personnel in the health sector, the payment of reserve funds and the hiring of personnel to control the pandemic. The trend changed starting in the fourth month due to the closure of companies and separation of public officials. In the first five months of 2020, total non-financial public sector contributions to social security were U.S.$2,276 million, a decrease from U.S.$2,360 million in the first five months of 2019.

Under Article 372 of the 2008 Constitution, the *Banco del Instituto Ecuatoriano de Seguridad Social* ("BIESS") is responsible for channeling investments and managing public pension funds. Resolution JB-2009-1406 enacted in July 2009 sets the parameters for the types of investments allowed. Investments in real estate are only allowed in the long-term (over five years), investments in trusts are not allowed in the short-term (less than three

years), and investments in public sector securities cannot exceed 75% of the market value of the fund. A risk committee must approve all investments. Investments must be rated by an approved rating agency, and no investment may be rated lower than specific thresholds set for that type of investment, as determined by the risk committee. As of December 31, 2018, BIESS was the largest holder of Government securities, with 39.1% of its portfolio investment, or U.S.$7,383 million, in Government holdings. As of October 31, 2019, BIESS was still the largest holder of Government securities, with 39% of its portfolio investment, or U.S.$7,858.9 million, in Government holdings.

The primary functions of the BIESS are, among others, the provision of different financial services such as mortgages, pledge-backed loans and unsecured credits. Additional services include portfolio re-discount operations for financial institutions and other financial services in favor of retirees and other affiliates of the IESS by means of direct operations or through the national financial system. Additional bank functions are investment in infrastructure projects that generate financial profitability, added value and new sources of employment, as well as investments in fixed and variable income securities through the primary and secondary markets.

On October 21, 2016, the *Ley de Fortalecimiento a los Regímenes Especiales de Seguridad Social de las Fuerzas Armadas y de la Policía Nacional* (the "Law to Strengthen the Social Security System of the Armed Forces and National Police") was published and became effective. The law is intended to make the national system of social security more sustainable over time by making adjustments and improvements to the pensions of public servants from Ecuador's Armed Forces and National Police.

On June 18, 2018, the Law Reforming the Social Security Law was published and became effective. The law increases social security payments to retirees who belong to the Rural Social Security from U.S.$65 to U.S.$100. It is retroactive from January 1, 2018. The law also provides for automatic increases consistent with those of the minimum wage.

In May 2018, the Office of the Comptroller General announced that it would carry out 27 special audits to verify compliance by the IESS with the recommendations of previous exams, audit the administrative management of main IESS funds (e.g. reserve funds, mortgage liens, farmer social insurance, health insurance, IBM) and to make an actuarial examination. On December 7, 2018, the Office of the Comptroller General issued a draft report of 19 out of 44 completed audits on the IESS for the period from January 1, 2013 to May 31, 2018, finding, among others, that hundreds of employees of the IESS were deducted approximately U.S.$378,932 from their salaries since 2015, money which was divested to several political parties; that in some cases moneys assigned to a particular account within the IESS did not reach in their entire amounts their intended units, causing deficits within those units; that approximately U.S.$18 million generated in interests for penalties assessed to employers for late registration of employees in the IESS never reached the respective beneficiary employees; that different formulas were used to calculate administrative expenses for purposes of paying reserve funds; that moneys were returned to beneficiaries that did not have the right to those funds, and no actions were taken to right those mistakes; and that hundreds of people were hired throughout the audited period without documentation and justification. These audits are part of annual examinations that the Office of the Comptroller General conducts within its authority to carry out special audits to verify certain limited aspects of governmental activities.

As a result of this draft report, as of mid-February, approximately U.S.$1.2 million in administrative penalties had been pre-established, 60 public officials had been dismissed and 9 reports establishing potential criminal liability of officials had been sent to the corresponding prosecutor's office.

Education

In 2011, the Government implemented the *Ley Orgánica de Educación Intercultural* (the "Intercultural Education Law"). The law created a standardized curriculum for all high schools, consolidated school systems to eliminate single-teacher schools, created a stringent evaluation system for teachers and schools, and launched a nation-wide literacy program. Under the reform, students were to receive free medical attention, school lunches, and uniforms.

The 2018 Budget initially allocated U.S.$5,718.51 million for Government education and other education initiatives and was later modified to U.S.$5,462.98 million. Education initiatives include the use of outside

consultants to improve English education, the granting of scholarships to exceptional students for study in elite foreign universities, the inspection of Ecuador's universities to ensure that they meet a high standard quality, and various other projects administered by individual municipalities. The 2019 Budget allocated U.S.$5,345.7 million for Government education and other education initiatives. The 2020 Budget, as approved, allocates U.S.$5,530.1 million for Government education and other education initiatives.

Education is mandatory in Ecuador until the age of 14. The literacy rate for adults over 15 years of age was 94.2% in 2015, and has been above 90% since 2004.

Health

The 2018 Budget initially allocated U.S.$3,573.12 million for Ecuador's health sector and was later modified to U.S.$3,158.81 million. The 2019 Budget allocated U.S.$3,138.5 million for Ecuador's health sector which was later modified to U.S.$3,018.3 million. The 2020 Budget, as approved, allocates U.S.$3,067.7 million for Ecuador's health sector. As of June 30, 2020, the projected budget for the health sector for 2020 was U.S.$2,853 million, a 6.99% decrease with respect to the initially projected budget, of which U.S.$1,232 million (a 43.2%) had been expended as of June 30, 2020. From March through June 2020, the budget for the health sector increased by U.S.$10.2 million.

Recent reforms include a mandatory increase in hours and pay for medical professionals, and the creation of mobile clinics intended to ensure vaccinations in the most remote areas of the country. The Government has also signed various agreements with private companies to produce generic drugs in the country.

LEGAL PROCEEDINGS

The Republic is involved in certain litigation and administrative arbitration proceedings described below. Some of the proceedings described below are conducted pursuant to the mandatory arbitration provisions contained in the U.S.-Ecuador Bilateral Investment Treaty and the Canada-Ecuador Bilateral Investment Treaty, as applicable. These treaties aim to protect investors of both nations in the other country. An unfavorable resolution of some of these proceedings could have a material adverse effect on the Republic. The Republic receives from time to time notifications of controversies from third parties with respect to contractual disputes and other disputes which may be covered by bilateral investment treaties. To the extent these controversies have not resulted in the initiation of a litigation or administrative arbitration proceedings they are not described below.

Chevron

In 2006, Chevron brought arbitration proceedings against the Republic under the UNCITRAL Rules alleging the Republic's breach under certain "denial of justice" provisions under the U.S.-Ecuador Bilateral Investment Treaty. In August 2011, the arbitral tribunal established that Ecuador had breached such treaty and should pay Chevron U.S.$96 million plus compound interest calculated from September 1, 2011 until the date of payment. On July 27, 2012, Chevron filed a claim before the District Court of the District of Columbia (Washington, DC) seeking recognition and enforcement of the arbitral award. On June 6, 2013 the District Court confirmed the award in favor of Chevron.

On October 9, 2015, the United States Court of Appeals for the District of Columbia Circuit affirmed the District Court decision. Accordingly, the arbitral award granted to Chevron became due and payable in the United States with the same force and effect as a judgment in a judicial action. The total amount due under the award, (U.S.$96.4 million plus U.S.$16.4 million in interest) was paid by Ecuador to Chevron in satisfaction of the arbitral award.

On a separate matter, in September 2009, Chevron filed an UNCITRAL arbitration claim against Ecuador for an undetermined amount. The claim seeks indemnification for claims brought by indigenous communities in Lago Agrio, Ecuador, against Chevron for environmental damages. In 2011, an Ecuadorian court ruled in favor of the Lago Agrio community, ordering Chevron to pay U.S.$19 billion in damages. This amount was reduced to U.S.$9.5 billion in November 2013. Chevron argues that Ecuador and Petroecuador should be solely responsible for any judgments arising from claims resulting from the Lago Agrio litigation because of "hold harmless" provisions of a 1995 settlement agreement ("1995 Settlement") between Chevron and the Republic and also claims breach of the 1995 Settlement and the U.S.-Ecuador Bilateral Investment Treaty. On the other hand, Ecuador argues that it has not assumed any obligation to indemnify, protect, or defend Chevron from third party claims.

The arbitration tribunal has divided the merits of the case into 3 tracks. Track 1 will decide issues relating to the 1995 Settlement and the obligation of Ecuador to indemnify Chevron from third party claims. Track 2 will decide issues relating to denial of justice claims by Chevron and the alleged breach of the U.S.-Ecuador Bilateral Investment Treaty. Once Tracks 1 and 2 have been decided on the merits, Track 3 will determine any monetary damages that resulted from the alleged breaches and will assess the monetary value of the environmental damage in the Lago Agrio community. On September 17, 2013 the arbitral tribunal issued a partial Track 1 award (Track 1A) where it agreed with the Republic in that the 1995 Settlement did not preclude the Lago Agrio plaintiffs from asserting claims "in respect of their own individual rights."

On March 12, 2015, the arbitral tribunal issued a second Track 1 (Track 1B) decision in favor of Ecuador, holding that the initial pleading brought by the Lago Agro plaintiffs qualified as an "individual rights" claim not barred by the 1995 Settlement.

On August 30, 2018, the tribunal issued a second partial award on Track 2 declaring that Ecuador is liable for denial of justice under the standards of fair and equitable treatment under the U.S.-Ecuador Bilateral Investment Treaty and under customary international law, and declaring that Ecuador is liable to make full reparation to Chevron. The arbitral tribunal is expected to make a determination regarding the amounts of any financial compensation owed by the Republic to Chevron by the end of the year 2021.

On December 10, 2018, Ecuador filed a request to set aside the second partial award on Track 2 before the District Court of The Hague, in the Netherlands. As of the date of the Invitation Memorandum, the court has not yet made a ruling on this request. On July 2, 2020, an electronic hearing was held in which the Court learned about the merits of the action proposed by Ecuador. No reparation or compensation amounts have been discussed yet, nor has a date been set for the Court to render its decision. These issues are assigned for Track 3 of the arbitration.

On April 26, 2019, the arbitral tribunal issued Procedural Order No. 56, in which the tribunal established the procedural calendar for Track 3 of the arbitration. Pursuant to such calendar: (i) on May 31, 2019, Chevron was scheduled to present its memorial on damages; (ii) on February 20, 2020, Ecuador presented its response memorial to Chevron's memorial on damages; (iii) on September 18, 2020, Chevron must present its reply memorial on damages; (iv) on January 8, 2021, Ecuador must present its sur-reply memorial on damages. The arbitral tribunal has established that the hearing on Track 3 of the arbitration shall take place from March 15 to March 28, 2021.

On a separate matter, in October of 2013, a provincial court of Ecuador ordered the *Instituto Ecuatoriano de la Propiedad Intelectual* (the "Ecuadorian Institute for Intellectual Property" or "IEPI") to place an embargo on 50 trademarks of Chevron in Ecuador as a result of the Ecuadorian verdict against Chevron in the Lago Agrio case. According to IEPI, the embargo was placed in order to guarantee the payment of the verdict amount by redirecting the revenues from the trademarks to Ecuador, as opposed to Chevron.

Windfall Profits Tax Litigation

A number of foreign oil companies have sued Ecuador in connection with the application of Ecuadorian law 42-2006, which levied a 99% tax on the windfall profits of a number of foreign oil companies. . As a result of the implementation of the windfall profits tax law, Ecuador is a defendant in the following arbitration proceedings:

Perenco Ecuador Limited

On April 30, 2008, Perenco Ecuador Limited ("Perenco") filed an ICSID arbitration claim against Ecuador seeking compensation of U.S.$440 million plus costs and interest for alleged changes to its contracts for the development of blocks 7 and 21 in Ecuador imposed by Ecuadorian law 42-2006. The amount of the claim remains subject to adjustment. Perenco argued that law 42-2006 modified the participation of Perenco under contracts for the development of blocks 7 and 21 in Ecuador and that the unilateral modification of the contracts resulted in an expropriation of the blocks that Perenco was operating. On September 12, 2014, the tribunal decided the claim in favor of Perenco, finding the Republic liable for breach of contract and the bilateral investment treaty between the Republic and the Republic of France, pending parties' submissions on damages.

On December 5, 2011, Ecuador filed two counterclaims against Perenco for environmental damage and failure to maintain the facilities of blocks 7 and 21, in an approximate amount of U.S.$2 billion. On August 11, 2015, in an interim decision, the tribunal held that contamination exists in blocks 7 and 21. However, the tribunal held that a third environmental expert is needed in order to determine if the contamination was caused by Perenco. On November 25, 2016, the independent environmental expert appointed by the tribunal visited blocks 7 and 21. The Republic received the expert's report on December 19, 2018.

After parties' submissions commenting on the expert report and a hearing held on March 11 and 12, 2019, in which the expert was cross-examined and final allegations with regard to the counterclaims were argued, on September 27, 2019, the tribunal ordered the Republic to pay Perenco U.S.$448.8 million in damages on the principal claim, and U.S.$23 million as contribution to Perenco's legal fees and costs, plus interest until full payment, and at the same time ordered Perenco to pay the Republic U.S.$54.4 million in compensation for environmental damages, and U.S.$6.3 million as contribution to the Republic's legal fees and costs, plus interest until full payment. Both parties were ordered to cover the tribunal's costs and independent expert fees.

On October 2, 2019, the Republic requested before ICSID the suspension of the tribunal's September 27, 2019, decision, as well as its annulment. On November 18, 2019, an ad-hoc arbitral committee was formed to decide on the Republic's request. After the parties filed their respective submissions, on January 13, 2020, the ad-hoc arbitral committee held a hearing on the suspension of the September 27, 2019 decision. On February 21, 2020, the tribunal ordered the suspension of that decision. In accordance with the procedural calendar, Ecuador presented its Annulment Memorial on April 16, 2020. Perenco must respond to the brief by July 16, 2020. Ecuador's

response and Perenco's subsequent response are scheduled for September 16, 2020 and November 16, 2020, respectively. The hearing regarding the annulment will be held in January 2021, after which the Annulment Committee must issue its decision.

William and Roberto Isaías Dassum

In 2009, Ecuador commenced an action against William and Roberto Isaias, who were the President and Executive Vice-President, respectively, of Filanbanco S.A, Ecuador's largest bank at the time of its bankruptcy in 2001. Arguing before a Florida circuit court, Ecuador alleged that the defendants embezzled funds and forged financial statements thereby resulting in losses suffered by the *Agencia de Garantía de Depósitos* (the "Deposit Guarantee Agency" or "AGD"), in the amount of U.S.$661.5 million. On May 30, 2013, the trial court granted summary judgment against Ecuador.

On December 27, 2017, the District Court of Appeals for the Third District of Florida reversed the October 15, 2015 decision in favor of William and Roberto Isaias. The case was remanded to the trial court to determine damages in favor of Ecuador. On May 17, 2019, the trial court held a hearing where it established the procedural calendar for the damages phase. Pursuant to the procedural calendar, the hearings phase will begin on October 26, 2020, and is scheduled to last between 4 and 6 weeks.

Merck Sharp & Dohme

On February 2, 2011, Merck Sharp & Dohme ("Merck") commenced an UNCITRAL arbitration against Ecuador alleging denial of justice for not having provided judicial guarantees in Ecuadorian court proceedings which returned a judgement against Merck by the Ecuadorian company NIFA S.A. (currently "PROPHAR, S.A.") in violation of the U.S.-Ecuador Bilateral Investment Treaty.

On August 4, 2016, the National Court of Justice ordered Merck to pay U.S.$42 million with respect to the Ecuadorian judgment initiated against Merck by NIFA S.A. On September 6, 2016, the arbitral tribunal ordered that Ecuador ensure that all proceedings and actions for the enforcement of that judgment be suspended pending the delivery by the tribunal of its final award. On September 16, 2016, the National Court of Justice enforcement judge suspended the enforcement proceeding pending the arbitral tribunal's final award. This decision was constitutionally challenged by PROPHAR, S.A. On June 21, 2017, the Ecuadorian Constitutional Court granted the petition and set aside the suspension order. Subsequently, the parties reached an agreement to settle the constitutional claim. The settlement agreement covered the entire dispute between Merck and Prophar and ended the litigation in local courts. The arbitration continued without prejudice.

The arbitral tribunal held a hearing on October 12, 2016. On January 25, 2018, the arbitral tribunal issued a final partial award in which it held Ecuador liable for denial of justice and violation of fair and equitable treatment. As a result, the arbitral tribunal initiated a new phase for the determination of damages. On February 21, 2018, the arbitral tribunal issued an order providing the schedule for the damages phase. On April 24, 2019, a hearing on damages took place in the city of London. On March 5, 2020, the arbitral tribunal made a final ruling ordering the Republic to pay Merck approximately U.S.$45 million. This ruling was declared confidential. Ecuador has filed an annulment action with the Courts of The Hague against the arbitration award on June 10, 2020.

Hutchison Port Investments Ltd

In 2012, the Manta Port Authority (the "APM") represented by Ecuador's Attorney General (*Procuraduría General del Estado*) commenced an arbitration proceeding against Hutchison Port Investments Ltd. and Hutchison Port Holdings ("Hutchison"), in the *Centro de Arbitraje y Mediación de la Cámara de Comercio de Quito* ("Center for Arbitration and Mediation of Quito Chamber of Commerce") to recover U.S.$141 million in damages. APM alleges that it suffered these damages as a result of Hutchison's unilateral abandonment of the facilities and other defaults under a concession agreement to operate the port at Manta. Hearings took place from February 9 to 13, 2015 in Panama. On November 30, 2015, the arbitration tribunal decided in favor of Ecuador for an amount of U.S.$30 million.

The arbitral tribunal awarded APM U.S.$34.9 million for consequential damages and lost profits. After deduction of the contractual guarantee entered into by APM, the indemnification amount totaled U.S.$27.2 million

(before adjusting current value). The tribunal also ordered the compensation of 50% of the arbitral costs to APM to be paid within thirty days from notification of the arbitral award.

On March 16, 2017, before the *Sala Cuarta de la Corte Suprema de Justicia* APM presented its opposition to the annulment petition by Hutchison in Panama on December 30, 2015 against the award in favor of APM. On March 15, 2019, the Supreme Court of Panama partially annulled the award in favor of APM. Although the amount of the award was not affected by the decision, the entities Hutchison Investments Limited and Hutchison Port Holdings Limited were excluded from the award. On March 21, 2019, Ecuador's Attorney General, in representation of APM, presented a request for clarification of the decision, which was denied on April 12, 2019. As of the date of the Invitation Memorandum, enforcement of the award is being pursued both in the British Virgin Islands and in Ecuador.

Coca Codo Sinclair

From 2012 to March 2017, CELEC EP – Unidad de Negocio Coca Codo Sinclair ("CCS"), an Ecuadorian public enterprise and Sinohydro Corporation were heard by the *Junta Combinada de Disputas* ("JCD" or "Combined Dispute Board"), a pre-arbitral forum created under the engineering, procurement and construction contract (the "EPC Contract") for the construction of the Coca Codo Sinclair hydroelectric plant. The amount of the claims is yet to be determined. Both parties presented, among others, claims relating to time extensions under the EPC Contract, declined payroll/tax return payments, supposed changes in tax laws, costs for changes in infrastructure design, indirect effects of the non-execution of a potential agreement between China and Ecuador relating to double taxation, and non-compliance with the national participation quota established in the EPC Contract for subcontracting of works. Synohydro Corporation has sought tax refunds for capital exit taxes, additional costs for engineering designs and a time extension for supposed extreme subsoil geological conditions. The JCD has issued 22 mandatory decisions. Under the EPC Contract, the parties may definitively resolve the underlying disputes through arbitration before the International Chamber of Commerce by sending a notification of disagreement within 20 days after the JCD's decisions. Both parties have stated their disagreement with the JCD's 22 decisions, thus preserving their right to commence arbitral proceedings with respect to these disputes. As of the date of the Invitation Memorandum, the parties have not commenced arbitral proceedings with respect to these disputes.

In April 2019, Sinohydro Corporation notified CCS of the existence of Dispute 2019-001, related to the amounts charged to CCS by ARCONEL for the unavailability of the Coca Codo Sinclair hydroelectric plant. Upon Sinohydro Corporation's request, a new JCD was formed. In March 2020, the members of the new JCD visited the plant, and parties were called to present their cases.

Following the visit by the JCD, a procedural calendar for the presentation and answering of controversies was established. From June 15 to June 23, 2020, there was an oral hearing for the controversy. The JCD must issue its decision in the upcoming months.

Caribbean Financial International Corp v. Ecudos – Corporación Azucarera Ecuatoriana Coázucar

On July 11, 2012, Caribbean Financial International ("CFI") filed a breach of contract claim against ECUDOS S.A. in the *Juzgado Duodécimo de Circuito Civil del Primer Circuito Judicial de Panamá* (the "Twelfth Court of the Civil Circuit in the First Circuit of Panama") for an amount of U.S.$65.9 million plus costs, expenses and interests. The contract was originally entered into by CFI and TRAINSAINER S.A., a company absorbed by ECUDOS S.A. through merger (the "CFI-TRAINSAINER contract"). The CFI-TRAINSAINER contract called for CFI's sale to TRAINSAINER S.A of all of its stock capital in DURCHES S.A. and ECUDOS S.A. Through the CFI-TRAINSAINER contract, CFI granted TRAINSAINER S.A. a credit of U.S.$60 million for a term of ten years. In turn, on October 29, 2000, TRAINSAINER S.A. issued a promissory note in favor of CFI due on October 27, 2010. The CFI-TRAINSAINER contract provided for the filing of a lawsuit if the payment became overdue. The Attorney General intervened as a result of an indemnity obligation in the CFI-TRAINSAINER contract. ECUDOS S.A. filed a response to the claim denying CFI's allegations and challenging the contract. On April 18, 2018, the Twelfth Court of the Civil Circuit in the First Circuit of Panama held Ecudos liable for U.S.$106,183, 608, including costs and expenses. On May 31, 2018, Ecudos appealed the decision of the Twelfth Court of the Civil Circuit in the First Circuit of Panama. On June 8, 2018, CFI presented its brief opposing Ecudos' appeal. The *Primer Tribunal*

Superior del Primer Distrito Judicial de Panamá (the "First Superior Court of the First Judicial District of Panama") is reviewing the appeal. To date, the appeal has not been resolved.

Ecudos – Corporación Azucarera Ecuatoriana Coazúcar v. Caribbean Financial International Corporation – CFI

On August 8, 2012, ECUDOS S.A. filed an ordinary claim for declaratory judgement of large amount (*Demanda Ordinaria Declarativa de Mayor Cuantía*) in Panama against CFI seeking annulment of the CFI-TRAINSAINER S.A. contract as well as of the promissory note in favor of CFI. As it is an annulment lawsuit, the amount of the lawsuit is undetermined. Admission of the evidence brought by the parties is pending. After consideration of the admissibility of the evidence, both parties will present their pleas. A decision on the admissibility of the evidence is pending. To date, there has been no decision.

Gente Oil

On April 13, 2018 Ecuador was notified of arbitral proceedings from Gente Oil Ecuador Pte. Ltd. ("Gente Oil"). In the notification, Gente Oil alleges that Ecuador breached the contract for the rendering of services for the exploration and exploitation of Hydrocarbons with respect to crude oil in the Singue block of the Ecuadorian Amazon region. Gente Oil claims that Ecuador breached the contract by imposing its negotiation, ignoring the tariff agreed, not acting in good faith and preventing Gente Oil from performing its obligations under the contract. Pursuant to this contract, the arbitral proceedings will be conducted under the UNCITRAL Rules and administered under the Permanent Court of Arbitration in The Hague. The amount of the claim has not been determined.

Daniel Penades

On January 30, 2015, Daniel Penades issued proceedings against the Republic of Ecuador in respect of an alleged U.S.$455,000 holding of 2030 Notes. The Republic was served with a notification of the claim on September 16, 2015. On January 15, 2016, the Republic filed a motion to dismiss Mr. Penades's complaint. On September 30, 2016, the United States District Court for the Southern District of New York granted the Republic's motion to dismiss.

On May 21, 2018, Mr. Penades filed again against the Republic in the United District Court for the Southern District of New York concerning his alleged U.S.$455,000 holding of 2030 Notes and a U.S.$50,000 holding of 2012 Notes. In this new complaint, Mr. Penades demands for payment of full principal and accrued interests under the indentures of both his alleged holdings of 2030 Notes and 2012 Notes, and demands that the court order such interest payments be made pro rata with payments made under subsequent bonds issued by the Republic. On August 8, 2019, the court granted the Republic's motion to dismiss the Amended Complaint. Accordingly the case is closed.

GLP

This proceeding involves an investment arbitration initiated by Consorcio GLP against the Republic under the Bilateral Investment Treaty between Ecuador and Spain. In May 2018, a hearing on the question of jurisdiction was held. On December 21, 2018, the tribunal decided on the question of jurisdiction by denying Ecuador's motion and affirming its jurisdiction over the merits of the case, and ordered Ecuador to pay the plaintiff U.S.$245,358.4 and EUR239,229.2 in costs and fees. On February 28, 2019, the tribunal established the schedule for the proceedings on the merits. On June 28, 2019, the plaintiff filed its brief on the merits of its claims and asked the court to order the Republic to pay the plaintiff U.S.$48,315,958.33 in damages. The tribunal set hearings on the merits of the case for October 19 to 23, 2020.

Notifications under Bilateral Investment Treaties

AECON

On January 19, 2018, Ecuador was notified of a controversy by AECON founded on Articles II, VIII, XII and XIII of the bilateral investment treaty between Ecuador and Canada. AECON claims that Ecuador has breached the guarantee of legal stability granted under certain investment agreement and, consequently, it has breached the

fair and equal treatment standard in the relevant bilateral investment treaty causing the expropriation of AECON's investment. The amount of the claim is approximately U.S.$29 million. The arbitrators for this controversy have been designated. The Tribunal and the parties will soon hold the first procedural meeting with the purpose of defining the specific schedule and rules of the procedure.

WORLEYPARSONS

On February 16, 2018, WorleyParsons informed Ecuador of the existence of a controversy founded on Articles II(1), II(3), II(3)(a), II(3)(b), II(3)(c) and III(1) of the bilateral investment treaty between Ecuador and the United States of America. Ecuador requested further detail on the nature of the allegations in the notification. On March 19, 2018, WorleyParsons informed Ecuador that the controversy is related to its contracts with Petroecuador and the *Compañía de Economía Mixta Refinería del Pacífico RDP-CEM* (the "Mixed Economy Pacific Refinery Company") and to certain actions of the Office of the Comptroller General and the Office of the Prosecutor General. Although the notification from WorleyParsons did not include details of the substance of the dispute, following the request of the Attorney General, WorleyParsons identified the following contracts under which the disputes would have arisen: (i) Contract 201130 for the Audit and Management of the Rehabilitation Program for the Esmeraldas Refinery, under which WorleyParsons claims that Petroecuador has an outstanding debt of U.S.$36.2 million in order to proceed with the liquidation and termination of the contract; (ii) the Project Management Consultancy (PMC) Support Service Agreement with the Mixed Economy Pacific Refinery Company for the Pacific Refinery project, under which WorleyParsons claims that there is an outstanding debt of U.S.$35.4 million; (iii) contracts for the audit of certain construction works in the Liquid Natural Gas Plant of Bajo Alto (El Oro), under which WorleyParsons claims an outstanding debt of U.S.$5.9 million; and (iv) LAB 2014187 Contract executed with PetroEcuador for the production of "Studies for the Project of Reengineering and Construction of a Drainage System for the Liquid Effluents of the Esmeraldas Refinery", under which WorleyParsons claims that there is an outstanding debt of U.S.$3.2 million. Ecuador considers that the six-month consultation period under the bilateral investment treaty between Ecuador and the United States of America began on March 19, 2018. On February 14, 2019, WorleyParsons notified the Republic it had initiated investment arbitration proceedings against the Republic under the Bilateral Investment Treaty between Ecuador and the United States based on the foregoing allegations. The amount of the claim is approximately U.S.$83 million. WorleyParsons further requested the arbitral tribunal to order the Republic to remove the claims issued by the Office of the Comptroller General against WorleyParsons (as described below), and to order the Republic's Internal Revenue Service to remove an alleged U.S.$115 million tax assessment against WorleyParsons. As of the date of the Invitation Memorandum, the members of the tribunal have been designated and the parties are currently expecting to be notified with the initial procedural order from the tribunal.

Ecuador and WorleyParsons have had several meetings in which WorleyParsons has stated its position regarding the actions of the Office of the Comptroller General and the status of its contracts with Petroecuador and with the Mixed Economy Pacific Refinery Company. According to the information available at the Office of the Attorney General, the Office of the Comptroller General has performed several audits of the contracts executed with WorleyParsons where certain irregularities in the procurement processes and in the execution of such contracts by WorleyParsons were found. The Office of the Comptroller General has issued several claims (*Glosas de Determination Civil Culposa*) against WorleyParsons, following those audits, for a total amount of approximately U.S.$120 million. The arbitral tribunal was formed on July 31, 2019. In November 2019, the parties filed their respective submissions to the tribunal, with Ecuador requesting bifurcation of the matter. On April 3, 2020, Ecuador filed its memorial on jurisdiction.

On June 2, 2020, WorleyParsons presented its answer to the memorial of objections to the jurisdiction and on July 12, 2020, Ecuador will need to present its reply to the answer provided by WorleyParsons. Then, on August 31, 2020, WorleyParsons will present its reply to the answer provided by Ecuador. On September 28, 2020, the parties must notify the witnesses and experts to be cross-examined at the Preliminary Objections Hearing, which will be held on November 9 and 10, 2020.

The arbitral tribunal for this arbitration decided in the first Procedural Order that the parties may disclose the existence of the arbitration and any allegations made during the procedure, unless it decides otherwise at the request of either party This decision is still in force.

INDRA

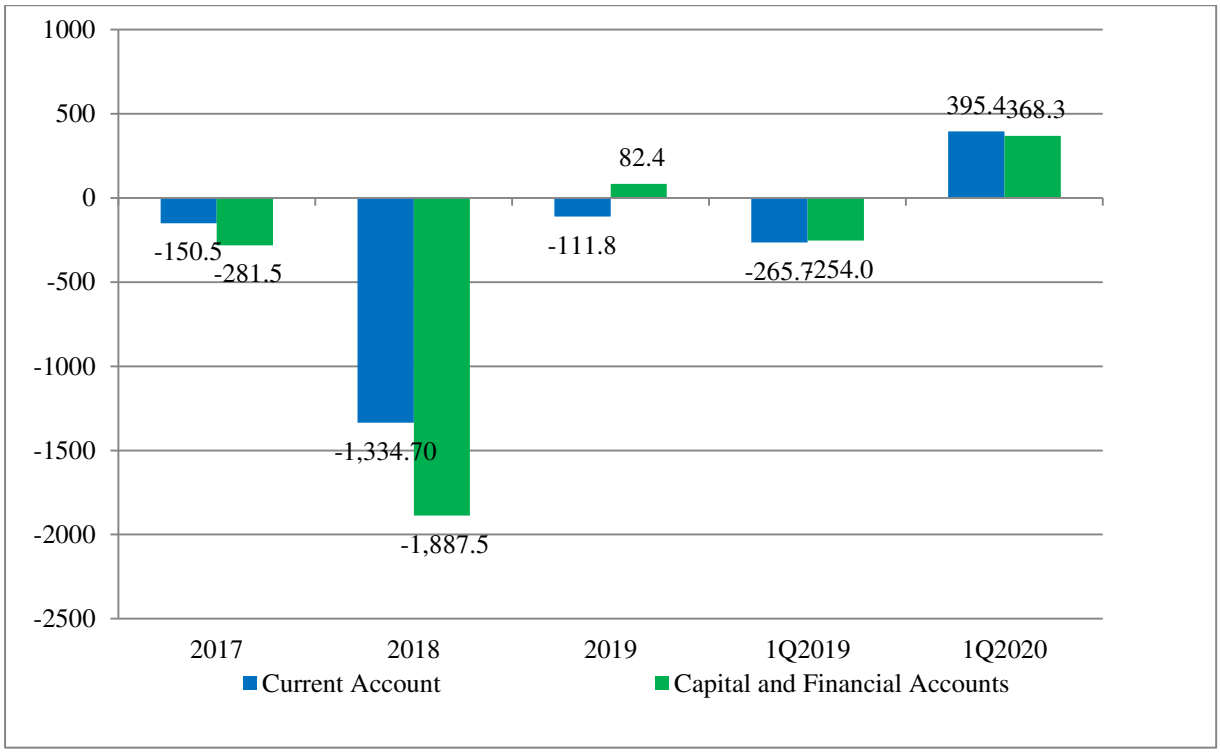
On February 20, 2018, Ecuador was notified of a controversy from Indra Sistemas, S.A. ("INDRA") founded on the fair and equitable treatment and indirect expropriation provisions and on the protection and effective measures principles under the clause of most favored nation of the bilateral investment treaty between Ecuador and the Kingdom of Spain. The controversy arose from a contract for the implementation of a judicial information system executed between INDRA and the Ecuadorian Judicial Council on December 22, 2011. The final product was delivered by INDRA on June 7, 2013 and the Judicial Council paid the full contract price of U.S.$23,760,000. The Office of the Comptroller General audited the contract and issued an administrative claim against INDRA for the full amount of $23,760,000. This administrative claim was followed by 3 judicial proceedings: (i) an appeal to the administrative claim filed by an Ecuadorian public servant that was named as joint and severally liable together with INDRA; (ii) an appeal to the ruling that denied the revision of that administrative claim filed by INDRA; and (iii) a damages trial initiated by the Judicial Council against INDRA for an amount of U.S.$32 million. The first proceeding concluded with the confirmation of the administrative claim and has been further appealed. The remaining two proceedings are still in process and a decision has not been made. INDRA also argues that its rights under the bilateral investment treaty in these proceedings have been breached. The notification received from INDRA indicates a claim of at least U.S.$32 million.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

Given Ecuador's dollarized economy, the balance of payments is important in determining money supply. A positive balance of payments would increase money supply and a negative balance of payments would decrease money supply. The balance of payment figures for the first quarter of 2020 presented in this Appendix do not reflect the full impact of the economic crisis which resulted from the COVID-19 outbreak and the decline in international oil prices. The Republic expects the balance of payments results for the second quarter of 2020 to differ substantially from the results of the first quarter.

Following the IMF's recommendations to improve quality and coverage of balance of payments, the Central Bank commenced the process of migrating from the fifth edition of the IMF's Balance of Payments and International Investment Position Manual to the sixth edition as the basis for the calculation methodology of the country's balance of payments. In its Staff Report for the 2019 Article IV Consultation, the IMF observed that "the authorities should strengthen compilation and dissemination and migrate to the sixth edition of the [BPM6]". In March 2020, the Central Bank announced it had finalized the implementation of this new methodology involving changes such as joining the goods and services accounts, introducing the concept of primary and secondary income, conforming the financial account to general accounting principles, and others. Under this new methodology, the Central Bank no longer releases an analytical bulletin of the balance of payments, and therefore does not show whether the balance of payments over a given period resulted in surplus or deficit.



Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the First Quarter of 2020. Amounts in U.S.$ millions.

The following table sets forth information regarding the Republic's balance of payments for the periods indicated.

Annual Balance of Payments[1]
(in millions of U.S.$)

	As of December 31,			For the Three Months Ended March 31,	
	2017	2018	2019	2019	2020
Current Account	**-150.5**	**-1,334.7**	**-111.8**	**-265.7**	**395.4**
Goods	**281.0**	**-226.0**	**1,025.1**	**12.7**	**627.5**
Exports[2]	19,575.7	22,132.8	22,773.8	5,362.7	5,392.5
Petroleum and derivatives	6,919.8	8,801.8	8,679.6	1,999.3.	5,392.5
Non-petroleum	12,166.5	12,820.2	13,643.8	3,243.8	3,813.8
Non-registered commerce and other exports	489.4	510.8	450.5	119.6	76.6
Imports	19,294.7	22,358.8	21,748.7	5,350.0	4,765.0
Services	**-740.3**	**-688.7**	**-762.7**	**-166.8**	**-222.1**
Exports	2,977.1	3,241.5	3,319.9	782.0	710.8
Transportation	557.0	576.8	604.8	141.4	145.9
Travel	2,012.2	2,271.8	2,281.9	540.4	443.9
Other	407.9	392.9	433.2	100.3	121.0
Imports	3,717.3	3,930.3	4,082.6	948.8	932.9
Transportation	1,471.4	1,548.4	1,622.0	403.6	383.6
Travel	1,064.1	1,134.1	1,215.9	272.6	216.7
Other investments	1,181.8	1,247.8	1,244.6	272.7	332.6
Primary income	**-2,318.1**	**-2,828.9**	**-3,112.9**	**-753.1**	**-646.0**
Credit	185.1	235.9	195.0	54.0	27.5
Debit	2,503.2	3,064.8	3,308.0	807.1	673.5
Compensation of employees	14.5	14.6	15.4	3.4	3.3
Direct investment income	363.8	458.0	392.3	105.4	77.6
Portfolio investment income	808.4	1,260.1	1,282.4	311.9	252.8
Other	1,316.5	1,332.0	1,617.9	386.4	339.9
Secondary income	**2,626.9**	**2,408.9**	**2,738.7**	**641.5**	**636.0**
Credit	3,319.9	3,488.5	3,680.9	842.0	819.0
General government	190.0	191.1	194.2	41.9	42.4
Other	3,129.9	3,297.4	3,486.7	800.2	776.6
Debit	692.9	1,079.6	942.2	200.6	183.0
General government	134.4	413.5	98.6	13.3	4.4
Other	558.5	666.1	843.6	187.3	178.6
Capital account	**125.2**	**-175.2**	**83.6**	**16.9**	**17.4**
Credit	136.4	98.1	94.8	19.7	20.2
Debit	11.2	273.2	11.2	2.8	2.8
Financial account	**-406.7**	**-1,712.3**	**-1.2**	**-270.9**	**350.9**
Acquisition of financial assets, net	7,370.2	2,417.2	5,971.2	429.3	1,429.7
Direct investment	-	-	-	-	-
Portfolio investment	-13.4	103.8	569.5	181.4	190.7
Other investments	7,383.6	2,313.3	5,401.7	247.9	1,239.0
Liabilities, net	5,471.4	4,300.6	6,687.8	1,969.7	-240.7
Direct investment	624.6	1,456.0	937.6	209.6	202.5
Portfolio investment	6,486.3	2,732.8	2,779.4	943.5	107.7
Other investments	-1,639.5	111.9	2,970.7	816.7	-550.9
Reserve assets	-2,305.5	171.2	715.3	1,269.6	-1,319.4
Errors and omissions	**-381.4**	**-202.4**	**26.9**	**-22.1**	**-61.9**

Source: Based on figures from the Central Bank 2020 Quarterly Balance of Payments Bulletin for the First Quarter of 2020. Balance of payments data is published by the Central Bank on an annual and quarterly basis.

(1) Balance of payments data is published by the Central Bank on an annual and quarterly basis, not by semester.

(2) Figures differ from "Exports-(FOB)" charts and "Real GDP by Expenditure" chart due to the inclusion of non-registered commerce and "other exports." "Non-registered commerce" includes goods which are not registered by customs. Ecuadorian customs may not register commerce under various situations including, but not limited to, delays in the submission of export forms, false declarations, different statistical treatment in the country with which Ecuador has engaged in trade, sales of contraband, and arms trade. "Other exports" includes exports of goods for processing, repair of goods, goods acquired in ports through various transportation means and non-monetary gold.

Quarterly Balance of Payments[1]

(in millions of U.S.$)

	December 2018	March 2019	December 2019	March 2020
Current Account	**-886.9**	**-265.7**	**111.8**	**395.4**
Goods	**-431.4**	**12.7**	**460.9**	**627.5**
Exports[2]	5,468.0	5,362.7	5,732.5	5,392.5
Imports	5,899.5	5,350.0	5,271.6	4,765.0
Services	**-289.9**	**-166.8**	**-219.5**	**-222.1**
Exports	858.2	782.0	821.9	710.8
Transportation	148.3	141.4	161.8	145.9
Travel	585.0	540.4	540.7	443.9
Other	125.0	100.3	119.4	121.0
Imports	1,148.1	948.8	1,041.4	932.9
Transportation	414.5	403.6	394.6	383.6
Travel	293.8	272.6	310.1	216.7
Other	439.8	272.7	336.8	332.6
Primary income	**-786.3**	**-753.1**	**-863.7**	**-646.0**
Credit	55.6	54.0	44.1	27.5
Debit	841.9	807.1	907.8	673.5
Compensation of employees	3.8	3.4	4.2	3.3
Direct investment income	132.6	105.4	98.3	77.6
Portfolio investment income	375.7	311.9	372.7	252.8
Other investments	329.8	386.4	432.6	339.9
Secondary income	**620.7**	**641.5**	**734.0**	**636.0**
Credit	905.9	842.0	963.7	819.0
General government	51.3	41.9	54.8	42.4
Other	854.6	800.2	908.9	776.6
Debit	285.2	200.6	229.6	183.0
General government	60.1	13.3	13.6	4.4
Other	225.2	187.3	216.0	178.6
Capital account	**25.4**	**16.9**	**25.0**	**17.4**
Credit	28.2	19.7	27.8	20.2
Debit	2.8	2.8	2.8	2.8
Financial account	**-893.8**	**-270.9**	**157.4**	**350.9**
Acquisition of financial assets, net	1,006.8	429.3	2,999.5	1,429.7
Direct investment	-	-	-	-
Portfolio investment	-20.3	181.4	283.1	190.7
Other investments	1,027.1	247.9	2,716.4	1,239.0
Liabilities, net	1,798.7	1,969.7	1,323.5	-240.7
Direct investment	605.5	209.6	318.8	202.5
Portfolio investment	-97.8	943.5	65.9	107.7
Other investments	1,291.1	816.7	938.8	-550.9
Reserve assets	-101.8	1,269.6	-1,518.5	-1,319.4
Errors and omissions	**-32.2**	**-22.1**	**20.7**	**-61.9**

Source: Based on figures from the Central Bank 2020 Quarterly Balance of Payments Bulletin for the First Quarter of 2020. Balance of payments data is published by the Central Bank on an annual and quarterly basis.

(1) Balance of payments data is published by the Central Bank on an annual and quarterly basis, not by semester.

(2) Figures differ from "Exports-(FOB)" charts and "Real GDP by Expenditure" chart due to the inclusion of non-registered commerce and "other exports." "Non-registered commerce" includes goods, which for some reason are not registered by customs. Ecuadorian customs may not register commerce under various situations including, but not limited to, delays in the submission of export forms, false declarations, different statistical treatment in the country with which Ecuador has engaged in trade, sales of contraband, and arms trade. "Other exports" includes exports of goods for processing, repair of goods, goods acquired in ports through various transportation means and non-monetary gold.

Current Account

In 2018, the current account registered a deficit of U.S.$1,334.7 million, an increase of U.S.$1,184.2 million in the deficit compared to the U.S.$150.5 million deficit in 2017. This increase in the deficit was mainly due to a deficit in the trade balance of U.S.$226.0 million, a deficit in the services balance of U.S.$688.7 million and a deficit in the primary income balance of U.S.$2,828.9 million, despite a surplus in the secondary income of U.S.$2,408.9 million. In 2019, the current account registered a deficit of U.S.$111.8 million, a decrease of U.S.$1,222.9 million in the deficit compared to the U.S.$1,334.7 million deficit in 2018. This decrease in the deficit was mainly due to surpluses in the balance of goods (U.S.$1,025.1 million) and secondary income (U.S.$ 2,738.7 million). However, there were deficits in the balance of services (U.S.$762.7 million) and in primary income (U.S.$3,112.9 million). For the first quarter of 2020, the current account registered a surplus of U.S.$395.4 million, a U.S.$661.1 million decrease in the deficit compared to the U.S.$265.7 million deficit for the same period in 2019. This decrease in the deficit was mainly due to surpluses achieved in the balance of goods (U.S.$ 627.5 million) and secondary income (U.S.$ 636.0 million), which compensated for the deficits in the balance of services (U.S.$222.1 million) and primary income (U.S.$646.0 million).

In 2018, imports totaled U.S.$22,358.8 million compared to U.S.$19,294.7 million in 2017. This increase in the level of imports was primarily due to a 13.7% increase in imports of consumer goods, a 35.9% increase in imports of fuel and lubricants, an 11.6% increase in imports of commodities, an 11.2% increase in imports of capital assets, and a50.3% increase in various imports. In 2019, imports totaled U.S.$21,748.7 million compared to U.S.$22,358.8 million in 2018. This decrease in the level of imports was primarily due to a decrease in imports of consumption goods by U.S.$70.6 million (-1.4%), fuel and lubricants by U.S.$176.9 million (-4.1%) and raw materials by U.S.$549.8 million (-7.3%). For the first quarter of 2020, imports totaled U.S.$4,765.0 million compared to U.S.$5,350.0 million for the first quarter of 2019. This decrease in the level of imports was primarily due to a reduction in imports of consumption goods by U.S.$84.2 million (-7.4%), fuel and lubricants by U.S.$63.6 million (-6.5%), raw materials by U.S.$221.8 million (-12.1%) and capital goods by 210.0 million (-15.9%).

The trade balance in 2018 resulted in a deficit of U.S.$226.0 million, as compared to the U.S.$281.0 million surplus in 2017. This deficit in 2018 was mainly due to a 35.9% increase in imports of fuel. The trade balance in 2019 resulted in a surplus of U.S.$1,025.1 million, as compared to the U.S.$226.0 million deficit in 2018. This decrease in the deficit was mainly due to increases in exports by U.S.$641.1 million (2.9%) while imports dropped by U.S.$610.1 million (2.7%). The trade balance for the first quarter of 2020 resulted in a surplus of U.S.$627.5 million, as compared to the U.S.$12.7 million surplus for the first quarter of 2019. This increase in the surplus was mainly due to increases in exports by U.S.$29.8 million (0.6%) while imports reduced by U.S.$585.0 million (10.9%).

The services balance for 2018 resulted in a deficit of U.S.$688.7 million, a decrease in the deficit compared to the U.S.$740.3 million deficit in 2017. This decrease in the deficit was mainly due to an increased in tourism in Ecuador. The services balance for 2019 resulted in a deficit of U.S.$762.7 million, an increase in the deficit compared to the U.S.$688.7 million deficit in 2018. This increase in the deficit was mainly due to the increase of service exports being less than the increase of imports. Exports increased from U.S.$3,241.5 million to U.S.$3,319.9 million while imports increased from U.S.$3,930.3 to U.S.$4,082.6 million. The increase of service imports is in large part due to a greater increase of Ecuadorians leaving the country. The services balance for the first quarter of 2020 resulted in a deficit of U.S.$222.1 million, an increase in the deficit compared to the U.S.$166.8 million deficit for the same period in 2019. This increase in the deficit was mainly due to service exports being reduced by a greater proportion than imports. Exports decreased from U.S$782.0 million to U.S.$ 710.8 million while imports decrease from U.S.$948.8 million to U.S.$932.9 million. These results are largely due to fewer tourists entering the country.

The primary income balance in 2018 resulted in a deficit of U.S.$2,828.9 million, an increase in the deficit compared to the U.S.$2,318.1 million deficit in 2017. This increase in the deficit was mainly due to an increase in interest payments by Ecuador for the investment portfolio from U.S.$808.4 million to U.S.$1,260.1 million. The primary income balance in 2019 resulted in a deficit of U.S.$3,112.9 million, an increase in the deficit compared to the U.S.$2,828.9 million deficit in 2018. This increase in the deficit was mainly due to the increased payment of income associated with other investments (external debt) and interest payments increasing from U.S.$1,332.0 million to U.S.1,617.9 million. The primary income balance for the first quarter of 2020 resulted in a deficit of U.S.$646.0 million, a decrease in the deficit compared to the U.S.$753.1 million deficit for the same period in 2019.

This decrease in the deficit was mainly due to a decrease in payment towards direct investments by U.S.$27.8 million, portfolio investments by U.S.$59.1 million and other investments (external debt) by U.S.$46.6 million.

Remittances, which are primarily denominated in U.S dollars and Euros, are an important source of net transfers to Ecuador's current account. In 2018, remittances totaled U.S.$3,030.6 million, an increase compared to the U.S.$2,840.2 million in 2017. This increase in remittances was due to the improvement in the economic situation of the main countries where Ecuadorians living abroad reside. In 2019, remittances totaled U.S.$3.234.6 million, an increase compared to the U.S.$3,030.6 million in 2018. This increase in remittances was due to the positive economic environment found in the main countries where Ecuadorian emigrants reside, particularly in the United States and Spain. For the first quarter of 2020, remittances totaled U.S.$721.2 million, a decrease compared to the U.S.$736.2 million for the same period in 2019. This decrease in remittances was due, in part, to the emergency health situation that the world is facing in COVID-19.

Capital and Financial Accounts

The capital and financial account measures valuations in Ecuador's assets and liabilities against those of the rest of the world (other than valuations from exceptional financings). In 2018, the balance of the capital and financial accounts registered a deficit of U.S.$1,887.5 million compared to the U.S.$281.5 million deficit in 2017. This increase in the deficit in the balance of the capital and financial accounts in 2018 was primarily due to a decrease in the acquisition of financial assets by U.S.$4,953.0 million and a reduction in net liabilities incurred by U.S.$1,170.7. Other investment assets decreased from U.S.$7,383.6 million to U.S.$2,313.3 million and the liabilities related to the portfolio investments decreased from U.S.$6,486.3 million to U.S.$2,732.8 million. Furthermore, reserve assets during 2017 declined by U.S.$2,305.5 million and increased in 2018 by U.S.$171.2 million. In 2019, the balance of the capital and financial accounts registered a surplus of U.S.$82.4 million compared to the U.S.$1,887.5 million deficit for 2018. This decrease in the deficit in balance of the capital and financial accounts for 2019 was primarily due to an increase in the acquisition of net financial assets by U.S.$3,554.0 million and a decrease in net liabilities incurred of U.S.$2,387.1 million. Other investment assets increased from U.S.$2,313.3 million to U.S.$5,401.7 million and other investment liabilities increased from U.S.$111.9 million to U.S.$2,970.7 million. Furthermore, reserve assets increased by U.S.$171.2 during 2018 and by U.S.$715.3 million in 2019. For the first quarter of 2020, the balance of the capital and financial accounts registered a surplus of U.S.$368.4 million compared to the U.S.$254 million deficit for the same period in 2019. This decrease in the deficit in the balance of the capital and financial accounts was primarily due to an increase in the acquisition of net financial assets from U.S.$429.3 million to U.S.$1,429.7 million and a decrease in net liabilities incurred from U.S.$1,969.7 million to U.S.$240.7 million. Reserves increased during the first quarter of 2018 by U.S.$1,269.6 million and decreased during the first quarter of 2020 by U.S.$1,319.4 million.

In 2018, foreign direct investment totaled U.S.$1,456.0 million, an increase compared to the U.S.$624.6 million in 2017. This increase was principally due to a positive net flow of debt between related companies where service of the debt outpaced amortization. In 2019, foreign direct investment totaled U.S.$937.6 million, a decrease compared to the U.S.$1,456.0 million in 2018. This decrease was principally due to lower financial support received from related companies, from U.S.$754.0 million in 2018 to U.S.$337.4 million in 2019. For the first quarter of 2020, foreign direct investment totaled U.S.$202.5 million, a decrease compared to the U.S.$209.6 million for the same period in 2019. This decrease was principally due to a decrease in money received from loans between related companies, despite the increase in the flow of shares, which increased by U.S.$35.2 million.

In 2017, portfolio investment showed a surplus of U.S.$6,486.3 million. In 2018, portfolio investment registered a U.S.$2,732.8 million surplus, a decrease in the surplus compared to the U.S.$6,486.3 million surplus in 2017. This decrease in the surplus was mainly due to debt settlements by U.S.$3,753.5 million and a decrease in bond issuances. In 2019, portfolio investment registered a U.S.$2,779.4 million surplus, an increase in the surplus compared to the U.S.$2,732.8 million surplus in 2018. This increase in the surplus was mainly due to a greater amount of sovereign bonds being placed in the international markets. For the first quarter of 2020, portfolio investment registered a U.S.$107.7 million surplus, a decrease in the surplus compared to the U.S.$943.5 million surplus for the same period in 2019. This decrease in the surplus was mainly due to no sovereign bonds being placed in the international markets during the first quarter of 2020.

International Reserves

Ecuador's International Reserves, include, among other items, cash in foreign currency, gold reserves, reserves in international institutions, and deposits from Ecuador's financial institutions and non-financial public sector institutions.

According to the Central Bank's monthly statistical bulletin, as of December 31, 2018, Ecuador's International Reserves totaled U.S.$2,676.5 million, an increase from December 31, 2017 when International Reserves totaled U.S.$2,451.1 million. The increase in International Reserves during the 12-month period ending in December 31, 2018 compared to the period ending in December 31, 2017, was mainly due to an increase in the net income of oil exports (U.S.$2,065 million) and the net payment of external public debt (U.S.$2,065 million), which allowed to offset the net outflow of the private financial sector (mainly due to goods and services imports) by U.S.$2,091 million, the non-oil imports of the public sector and payments in arbitral awards by U.S.$1,927 million, and net cash withdrawals from the financial system by U.S.$589 million.

According to the Central Bank's monthly statistical bulletin, as of December 31, 2019, Ecuador's International Reserves totaled U.S.$3,397.1 million, a 26.9% increase from December 31, 2018 when International Reserves totaled U.S.$2,676.5 million. The increase in International Reserves during the 12-month period ending in December 31, 2019 compared to the period ending in December 31, 2018 was mainly due to four factors. First, in terms of net income, more money transfers were received from crude oil exports than money transfers made for derivatives imports, which resulted in an accumulation of U.S.$2,256.5 million in Ecuador's International Reserves. Second, in terms of net outflows, the International Reserves decreased due to net money transfers abroad from the private and public sectors in the amounts of U.S.$1,750.2 million and U.S.$1,025.4 million, respectively. Third, there was a decrease in net withdrawals of cash from the financial system of U.S.$426.6 million. Finally, there was an increase in the net public external debt of U.S.$1,624.8 million.

According to the Central Bank's monthly statistical bulletin, as of June 30, 2020, Ecuador's International Reserves totaled U.S.$2,665.6 million, a decrease from June 30, 2019 when International Reserves totaled U.S.$4,095.3 million. This decrease in International Reserves was principally due to net money transfers abroad during this period with U.S.$2,272 million in cash withdrawals from the financial system and U.S.$1,873 million cash withdrawals from the public sector.

Foreign Trade

Merchandise and Services Trade

Ecuador has historically been an exporter of primary goods, and an importer of raw materials, capital, and intermediate goods, as well as manufactured products. The Republic's main exports are relatively limited in terms of sectors and export markets. Traditionally, the United States, the European Union and the Andean Community have been the destinations for the majority of Ecuador's exports. Ecuador continues to seek to expand the types of goods it exports as well as its trading partners through engaging with, and obtaining funding from development banks and other strategic initiatives. Since 1972, petroleum and petroleum derivatives have comprised the majority of Ecuadorian export products. According to exports (FOB) data, in 2017, 2018 and 2019, exports of petroleum and petroleum derivatives accounted for approximately 36.2%, 40.7% and 38.9% of total exports, respectively.

Between 2017 and 2019, non-petroleum exports, which include, among others, flowers, vehicles, manufactured textile products and seafood, increased by 7.36% in 2017, by 5.37% in 2018 and by 6.42% in 2019. According to exports (FOB) data, overall exports have increased in the last three years from U.S.$19,575.7 million in 2017, to U.S.$22,132.8 million in 2018 and U.S.$22,773.8 million in 2019.

In the first five months of 2020, overall exports amounted to U.S.$7,871 million, a decrease of 14.7% compared to U.S.$9,223 million for the same period in 2019. This decrease was mainly due to lower oil exports, impacted by lower export volumes and by lower price per barrel of crude oil and oil derivatives. Between the first five months of 2019 and the same period of 2020 the crude oil export volumes decreased by 14.3%, the oil price dropped by 42.6% and the oil derivatives price dropped by 46.0%.

The following table shows the overall balance of trade for the periods indicated:

Overall Balance of Trade [(1)]
(in millions of U.S.$)

	Exports	Imports	Balance
Year Ended December 31, 2017	19,575.7	-19,294.7	281.0
Year Ended December 31, 2018	22,132.8	-22,358.8	-226.0
Year Ended December 31, 2019	22,773.8	-21,748.7	1,025.1
Period Ended March 31, 2019	5,362.7	-5,350.0	12.7
Period Ended March 31, 2020	5,392.5	-4,765.0	627.5

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the First Quarter of 2020.
(1) Data for exports and imports reflect Balance of Payments figures.

Overall Balance of Trade [(1)]
(in millions of U.S.$)

	Exports	Imports	Balance
Fourth Quarter of 2018	5,468.0	-5,899.5	-431.4
First Quarter of 2019	5,362.7	-5,350.0	12.7
Second Quarter of 2019	5,877.4	-5,662.9	214.5
Third Quarter of 2019	5,801.2	-5,464.2	337.0
Fourth Quarter of 2019	5,732.5	5,271.6	460.9
First Quarter of 2020	5,392.5	-4,765.0	627.5

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the First Quarter of 2020.
(1) Data for exports and imports reflect Balance of Payments figures.

Trade Policy

Ecuador's trade policy has focused on protecting dollarization, avoiding a decrease in the money supply, integrating into the international economy, as well as increasing the access of Ecuadorian goods and services to new markets and, until recently, reducing non-tariff barriers to trade.

Until the late 1980s, Ecuador used tariff barriers to protect its domestic industry against foreign competition. Import duties ranged from zero to 290%, with up to fourteen different rates. The Republic is a member of the World Trade Organization ("WTO") since January 21, 1996.

In the early 1990s, the Government began to significantly liberalize its foreign trade policy. As a result of those reforms, the tariff structure was simplified and currently consists of a seven-tiered structure (0%, 3%, 5%, 10%, 15%, 20% and 35%), with levels of 5% for most raw materials and capital goods, 10% or 15% for intermediate goods, and 20% for most consumer goods. A small number of products, including planting seeds, are subject to a tariff rate of zero, while the 35% tariff is exclusively applied to the automobile industry. Average tariff levels were reduced from 29% in 1989 to 6% in 2004.

In 2007, Ecuador introduced the Currency Outflow Tax, an exit tax of 0.5% on any currency leaving the country, which was subject to a number of exemptions. Since December 2007, Ecuador has progressively increased the Currency Outflow Tax as a measure to support a positive balance of trade. The tax acts as a devaluation of the U.S. dollar in Ecuador, thereby making imports more expensive and fostering local production. In December 2007, Ecuador increased the Currency Outflow Tax to 1% and eliminated the applicable exemptions. In December 2009, the Currency Outflow Tax increased from 1% to 2% and included an exemption for the first U.S.$500 per transaction. In November 2011, the Currency Outflow Tax increased from 2% to 5% and included an exemption for the first U.S.$1,000 in a 15-day period as long as no debit or credit card is used in the transaction. Payments of external public debt and dividends paid to foreign shareholders are also exempt from this tax. In 2016, the exemption was raised to U.S.$1,098 and U.S.$5,000 if a debit card or credit card is used.

In January 2009, the Republic, through the *Consejo de Comercio Exterior e Inversiones* ("Foreign Commerce and Investment Council") (now the Committee on Foreign Trade), imposed tariffs of general applicability on some consumer goods imports, including products imported from countries with which Ecuador has commercial treaties honoring preferential status. Ecuador enforced these tariffs for one year, in order to restore its trade balance.

On December 12, 2014, representatives from Ecuador's Ministry of Foreign Commerce signed a trade agreement with the European Union for Ecuador's accession to the Multiparty Trade Agreement entered into the European Union and Colombia and Peru on June 26, 2012. The agreement is intended to provide expanded access to the European market for Ecuadorian exports and lower tariff duties on European imports into the Ecuadorian market. As part of the agreement reached in 2014, Ecuador was allowed to benefit from the European Union's Generalized Scheme of Preferences Plus program until 2016 or until the trade agreement was in place. This benefit allowed Ecuador to not pay tariffs on exports of Ecuadorian products into the European Union.

On November 11, 2016, Ecuador signed the accession agreement to the Multiparty Trade Agreement with the European Union Council. The trade agreement required the approval of each of the National Assembly, the European Parliament, and the legislatures of the 28 European Union member countries in order to be effective. In January 2017, both the European Union and Ecuador implemented the trade agreement on a provisional basis pursuant to Article 3 of the European Council's decision (EU) 2016/2039 with the exception of Articles 2, 202(1), 291 and 292 of the trade agreement. The agreement will allow Ecuadorian products (including fishing products, bananas, flowers, coffee, cocoa, fruits, and nuts) to have greater access to the European market. The Ministry of Foreign Commerce estimates that this agreement will increase the Ecuadorian supply of goods into and from the European Union by 1.6% until 2020.

On November 13, 2017, the *Servicio Nacional de Aduana del Ecuador* ("SENAE") imposed a custom control service tariff of ten cents of a dollar per imported unit (with certain exceptions) in order to fight against smuggling and fraud. On June 7, 2018, the SENAE eliminated the custom control service tariff following the instructions of the General Secretariat of the Community of Andean Nations.

On May 15, 2019, Ecuador, together with Peru and Colombia, signed a trade agreement with the United Kingdom to preserve their mutual trade commitments should the United Kingdom exit the European Union as a result of the United Kingdom's exit from the European Union. With this trade agreement, the Republic and the United Kingdom intend to replicate their current trade commitments under the Multiparty Trade Agreement with the European Union. This agreement will not enter into force while the Multiparty Trade Agreement continues to apply to the United Kingdom.

There have also been other measures taken to increase local production, including the creation of the Ministry of Production, Foreign Trade, Investments and Fisheries and the enactment of the Production Code, see "*The Ecuadorian Economy—Economic and Social Policies—Production Code*."

In order to alleviate the effects of the COVID-19 crisis on the population and on Ecuador’s healthcare system and the resulting economic situation, the Government, among other measures, temporarily reduced to 0% import duties for certain medical supplies and equipment, and temporarily increased other import duties to boost revenue.

Regional Integration

Ecuador's trade integration policy consists of entering new markets strategically, promoting the growth of non-traditional exports, and encouraging investment. Ecuador has intensified its efforts to strengthen trade arrangements with its primary partners, including:

- Removing regional trade restrictions as a member of ALADI (a regional external trade association comprised of Ecuador, Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela);

- Reducing or eliminating tariff barriers to trade, as a member of the Andean Community, except with respect to measures taken to increase the Republic's balance of payments in 2009 as a result of the global recession;

- Entering into bilateral trade agreements with Colombia, Venezuela and Bolivia that are aimed at levying uniform tariffs on goods from third parties;

- Entering into a bilateral trade agreement with Chile in 1994, which was expanded in 2008;
- Negotiating a bilateral association agreement with Paraguay;
- Maintaining preferential access to the European Union through preferential trade status;
- Entering into the *Sistema Unitario de Compensación Regional* ("Regional Payment Compensation Unitary System" or "SUCRE"), with the governments of Bolivia, Ecuador, Cuba, Honduras, Nicaragua and Venezuela in 2009, which sets forth an account unit and function as a means of payment, intended to be used by national banks and to eliminate the use of currency for international trade transactions;
- Signing a trade agreement with the European Union in July 2014 that expands access to the European market for Ecuadorian exports and lowers tariff duties on European imports into the Ecuadorian market; and
- Signing a trade agreement with the United Kingdom to preserve their mutual trade commitments should the United Kingdom exit the European Union as a result of "Brexit."

Composition of Trade

According to the Central Bank's balance of payments statistical bulletin, in 2018, exports amounted to U.S.$22,132.8 million, an increase of 13.0% compared to U.S.$19,575.7 million in 2017. This increase was primarily due to an increase in the unit price in the main export products, particularly petroleum, combined with an increase in export volumes, mainly petroleum.

According to the Central Bank's balance of payments statistical bulletin, in 2019, exports amounted to U.S.$22,773.8 million, an increase of 2.9% compared to U.S.$22,132.8 million in 2018. This increase was primarily due to the increase in exports of shrimp (22.0%) and bananas (2.5%).

According to the Central Bank's monthly statistical bulletin, in the first five months of 2020, exports amounted to U.S.$7,871 million, a decrease of 14.7% compared to U.S.$9,223 million in the first five months of 2019. This decrease was mainly due to lower oil exports, impacted by lower export volumes and by lower price per barrel of crude oil and oil derivatives.

According to the Central Bank's balance of payment statistical bulletin, in 2019, imports totaled U.S.$21,748.7 million compared to U.S.$22,358.8 million in 2018. This decrease in the level of imports was primarily due to a decrease in the importation of commodities (-7.3%), fuel and lubricants (-4.1%) and consumer goods (-1.4%). According to the Central Bank's monthly statistical bulletin, for the first four months of 2020, imports totaled U.S.$6,155 million compared to U.S.$7,558 million for the first four months of 2019. This decrease in the level of imports was primarily due to the decrease in CIF imports mainly in capital goods (-24.9%), fuel and lubricants (-21.5%), consumer goods (-18.3%) and commodities (-12.8%). In the first five months of 2020, imports totaled U.S.$7,404 million compared to U.S.$9,644 million for the first five months of 2019.

The following table sets forth information regarding exports for the periods indicated.

Exports - (FOB)[1]
(in millions of U.S.$ and as a % of total exports)

	For the Year Ended December 31,						For the Five Months Ended May 31,			
	2017		2018		2019		2019		2020	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Crude oil	6,190	32.4	7,853	36.3	7,731	34.6	3,306	35.8	1,624	20.6
Bananas and plantains	3,028	15.9	3,216	14.9	3,295	14.8	1,444	15.7	1,681	21.4
Petroleum derivatives	730	3.8	948	4.4	948	4.2	401	4.3	186	2.4
Shrimp	3,043	15.9	3,190	14.7	3,891	17.4	1,482	16.1	1,663	21.1
Cacao	572	3.0	672	3.1	657	2.9	212	2.3	262	3.3
Coffee	17	0.1	13	0.1	8	0.0	3	0.0	1	0.0
Tuna and other fish	253	1.3	308	1.4	308	1.4	148	1.6	144	1.8
Flowers	820	4.3	843	3.9	880	3.9	418	4.5	403	5.1
Metal manufacturing[2]	442	2.3	512	2.4	437	2.0	181	2.0	128	1.6
Other products[3]	3,998	20.9	4,072	18.8	4,175	18.7	1,627	17.6	1,777	22.6
Total	**19,092**	**100**	**21,628**	**100**	**22,329**	**100**	**9,223**	**100**	**7,871**	**100**

Source: Based on figures from the Central Bank June 2020 Monthly Bulletin (Table 3.1.1).

(1) Figures do not include "non-registered commerce" and "other exports" and therefore differ from export figures in "Balance of Payments" and "Real GDP by Expenditure" tables. See footnote 1 of "*Balance of Payment*" chart.

(2) Includes vehicles and their components.

(3) "Other products" consist of non-traditional primary and manufactured products, including abaca, wood, other primary products, processed coffee, processed cacao products, fish flour, other canned seafood, chemicals and pharmaceutical products, hats, textile manufactured products and other industrialized products.

The following table sets forth information regarding imports for the periods indicated.

Imports – (CIF)
(in millions of U.S.$ and as a % of total imports)

	2017		2018		2019		For the Five Months Ended May 31, 2019		2020	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Consumer goods										
Non-durable goods	2,505	12.5	2,716	11.7	2,849	12.6	1,155	12.0	1,052	14.2
Durable goods	1,944	9.7	2,361	10.2	2,113	9.4	845	8.8	525	7.1
Postal traffic	165	0.8	173	0.7	171	0.8	68	0.7	50	0.7
Fuel and combustibles.	3,350	16.7	4,494	19.4	4,357	19.3	1,889	19.6	1,257	17.0
Primary materials										
Agriculture	1,243	6.2	1,497	6.5	1,450	6.4	597	6.2	610	8.2
Industrial…	5,401	27.0	5,854	25.3	5,330	23.6	2,311	24.0	1,988	26.9
Construction materials...	476	2.4	592	2.6	602	2.7	297	3.1	203	2.7
Capital goods										
Agriculture	141	0.7	162	0.7	117	0.5	52	0.5	38	0.5
Industrial…	3,427	17.1	3,679	15.9	3,698	16.4	1,620	16.8	1,229	16.6
Transportation equipment	1,308	6.5	1,574	6.8	1,769	7.8	771	8.0	410	5.5
Other	51	0.3	75	0.3	107	0.5	39	0.4	42	0.6
Total	**20,010**	**100**	**23,177**	**100**	**22,564**	**100**	**9,644**	**100**	**7,404**	**100**

Source: Based on figures from the Central Bank June 2020 Monthly Bulletin (Table 3.1.7)

Ecuador's largest trading partners are the United States, the European Union, Panama, China, Chile, Peru and Colombia. The following table sets forth information regarding the country of destination of the Republic's exports.

Exports - (FOB) by Destination Country[1]
(in millions of U.S.$, and as a % of total exports)

	2017		2018		2019		January 1 – May 31 2019		January 1 – May 31 2020	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Americas										
United States[2]	5,968	31.3	6,631	30.7	6,733	30.2	2,499	27.1	2,012	25.5
Peru	1,297	6.8	1,634	7.6	952	4.3	490.7	5.3	121.5	1.5
Colombia	791	4.1	835	3.9	855	3.8	371.7	4.0	304.7	3.9
Chile	1,235	6.5	1,449	6.7	1,485	6.7	684	7.4	332	4.2
Panama	942	4.9	1,243	5.7	1,919	8.6	965	10.5	607	7.7
Other (Americas)[3]	999	5.2	1,118	5.2	1,202	54	518	5.6	368	4.7
Total Americas	**11,232**	**58.8**	**12,911**	**59.7**	**13,145**	**58.9**	**5,529**	**59.9**	**3,745**	**47.6**
Europe										
European Union (EU)	3,172	16.6	3,297	15.2	3,108	13.9	1,269	13.8	1,346	17.1
Italy	590	3.1	635	2.9	472	2.1	213	2.3	237	3.0
United Kingdom	199	1.0	190	0.9	166	0.7	61	0.7	-	
Germany	502	2.6	506	2.3	332	1.5	143	1.6	159	2.0
Spain	613	3.2	588	2.7	639	2.9	242	2.6	229	2.9
Other (EU)[4]	1,267	6.6	1,379	6.4	1,499	6.7	609	6.6	721	9.2
United Kingdom	-	-	-	-	-	-	-	-	75	1.0
Rest of Europe[5]	991	5.2	990	4.6	1,035	4.6	457	5.0	506	6.4
Total Europe	**4,163**	**21.8**	**4,287**	**19.8**	**4,143**	**18.6**	**1,726**	**18.7**	**1,927**	**24.5**
Asia										
Taiwan	12	0.1	7	0.0	13	0.1	4	0.0	7	0.1
Japan	389	2.0	321	1.5	350	1.6	106	1.1	138	1.8
China	779	4.1	1,507	7.0	2,897	13.0	914	9.9	1,372	17.4
South Korea	115	0.6	104	0.5	156	0.7	103	1.1	34	0.4
Other countries[6]	2,295	12.0	2,345	10.8	1,418	6.4	753	8.2	544	6.9
Total Asia	**3,595**	**18.8**	**4,284**	**19.8**	**4,834**	**21.6**	**1,880**	**20.4**	**2,094**	**26.6**
Africa	**43**	**0.2**	**83**	**0.4**	**153**	**0.7**	**64**	**0.7**	**81**	**1.0**
Oceania	**60**	**0.3**	**60**	**0.3**	**52**	**0.2**	**23**	**0.2**	**23**	**0.3**
Other countries	**3**	**0.0**	**4**	**0.0**	**3**	**0.0**	**2**	**0.0**	**1**	**0.0**
Total	**19,092**	**100**	**21,628**	**100**	**22,329**	**100**	**9,223**	**100.0**	**7,871**	**100.0**

Source: Based on figures from the Central Bank June 2020 Monthly Bulletin (Table 3.1.5)

(1) Total export figures differ with export figures from "Balance of Payments" chart and "Real GDP by Expenditure" chart due to the exclusion of "non-registered commerce" and "other exports" figures in calculation of total exports in this chart. See footnote 1 of "Balance of Payment" chart.
(2) Includes Puerto Rico.
(3) Includes Canada, the Central American Common Market, Argentina, Brazil, Mexico, Venezuela, Bolivia and other countries in the Americas.
(4) Includes Belgium, France, Holland and other countries in the EU.
(5) Includes the European Free Trade Association and other countries in Europe.
(6) Includes Hong Kong and other countries in Asia.

The following table sets forth information regarding the country of origin of the Republic's imports for the periods presented.

Imports (CIF) by Country of Origin
(in millions of U.S.$)

	As of December 31,			January 1–May 31	
	2017	**2018**	**2019**	**2019**	**2020**
Americas[1]					
Mexico	660	732	700	291	219
United States[2]	4,532	5,531	5,270	2,316	1,933
Central America	119	126	115	46	41
South America and the Caribbean					
Argentina	375	409	271	102	138
Brazil	867	962	925	377	288
Bolivia	196	234	218	82	87
Colombia	1,716	1,923	1,872	770	622
Chile	560	538	506	213	218
Panama	1,275	1,721	1,599	853	207
Peru	830	876	836	341	284
Rest of Americas and Caribbean	604	569	662	270	216
TOTAL AMERICA	**11,615**	**13,495**	**12,860**	**5,615**	**4,213**
Europe					
Germany	481	518	472	214	211
Italy	262	319	266	112	84
Spain	621	570	679	291	248
United Kingdom[3]	96	97	138	43	-
Rest of EU[4]	1,114	1,452	1,357	568	426
United Kingdom	-				56
Rest of Europe[5]	248	275	356	117	91
TOTAL EUROPE	**2,821**	**3,232**	**3,268**	**1,345**	**970**
Asia					
China	3,063	3,589	3,724	1,542	1,284
Japan	408	416	506	203	164
Taiwan	139	162	130	59	51
South Korea	616	707	565	240	104
Rest of Asia[6]	1,050	1,268	1,175	503	377
TOTAL ASIA	**5,275**	**6,142**	**6,100**	**2,548**	**1,980**
Postal Traffic and regions excluding the Americas, Europe and Asia[7]	**298**	**309**	**336**	**136**	**96**
Total	**20,009**	**23,177**	**22,564**	**9,644**	**7,404**

Source: Based on figures from the Central Bank June 2020 Monthly Bulletin (Table 3.1.9)
(1) Canada included in Rest of Americas and Caribbean.
(2) Includes Puerto Rico.
(3) United Kingdom while a member of the European Union.
(4) Includes Belgium, France, Holland and other countries in the EU.
(5) Includes the European Free Trade Association and other countries in Europe.
(6) Includes Hong Kong and other countries in Asia.
(7) Includes Africa, Oceania, other countries and international postal traffic.

Foreign Direct Investment

Ecuador's foreign direct investment policy is governed largely by national implementing legislation for the Andean Community's Decisions 291 of 1991 and 292 of 1993. Generally, foreign investors enjoy the same rights Ecuadorian national investors have to form companies. Foreign investors may own up to 100% of a business entity in most sectors without prior Government approval, and face the same tax regime.

Currency transfers overseas are unrestricted with respect to earnings and profits distributed abroad resulting from registered foreign investment provided that obligations relating to employee revenue sharing and relevant taxes, as well as other corresponding legal obligations, are met.

Certain sectors of the Ecuadorian economy are reserved for the state. All foreign investment in petroleum exploitation and development in Ecuador must be carried out under contracts with the Ministry of Energy and Non-Renewable Natural Resources (formerly with the then Secretariat of Hydrocarbons of Ecuador).

In 2017, foreign direct investment reached U.S.$624.6 million, with the manufacturing sector representing the largest percentage of foreign direct investment with 23.0%, followed by the agriculture, forestry, hunting and fishing sectors representing 19.9% and the commerce sector representing 16.1% of all foreign direct investments.

In 2018, foreign direct investment reached U.S.$1,410 million, an increase compared to U.S.$618.4 million in 2017. This increase was principally due to a positive net flow of debt between related companies where service of the debt outpaced amortization. In 2018, the mining and oil sectors represented the largest percentage of foreign direct investment with 52.4% of all investment; commerce and services rendered to businesses followed representing 14.3% and 11.9% of foreign direct investment, respectively.

For the first quarter of 2020, foreign direct investment totaled U.S.$202.5 million, a decrease compared to the U.S.$209.6 million for the same period in 2019. This decrease was principally due to a decrease in money received from loans between related companies, despite the increase in the flow of shares, which increased by U.S.$35.2 million. In the three months ended March 31, 2020, the services rendered to businesses sector represented the largest percentage of foreign direct investment with 41.1% of all investment; mining and oil and commerce followed representing 27.0% and 10.7% of foreign direct investment, respectively.

The following table sets forth information regarding foreign direct investment by sector for the periods indicated.

Foreign Direct Investment by Sector
(in millions of U.S.$, and as a % of total foreign direct investment)

	For the Year Ended December 31						For the period ended March 31,	
	2017		2018		2019		2019	2020
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	U.S.$
Agriculture, forestry, hunting and fishing...	124.6	19.9	59.4	4.1	97.8	10.4	25.3	6.8
Commerce [(1)]	100.6	16.1	200.0	13.7	78.3	8.4	22.2	21.6
Construction	59.1	9.5	89.0	6.1	69.3	7.4	-9.7	5.9
Electricity, gas and water	2.1	0.3	6.6	0.5	6.7	0.7	1.1	6.9
Petroleum [(2)]	68.5	11.0	773.5	53.1	394.8	42.1	111.1	54.7
Manufacturing	143.9	23.0	106.0	7.3	107.3	11.4	29.4	10.8
Social and personal services	(3.9)	-0.6	(1.5)	-0.1	-6.8	-0.7	-2.1	-0.9
Services rendered to businesses.....	82.6	13.2	167.3	11.5	92.2	9.8	28.5	83.2
Transportation, storage and communications.....	47.1	7.5	55.7	3.8	98.0	10.5	3.9	13.6
Total	**624.6**	**100**	**1,455.9**	**100**	**937.6**	**100.0**	**209.6**	**202.5**

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the Furst Quarter of 2020
(1) Commerce includes investment in commercial infrastructure and real estate.
(2) Includes mining and natural gas.

The 2008 Constitution contains certain principles relating to foreign investment, including promoting national and international investment, with priority being given to national investment and a complementary role being attributed to international investment; subjecting foreign investment to Ecuador's national legal framework and regulations; prohibiting expropriation without indemnification; limiting access to strategic sectors, which will remain under state control; providing for disputes relating to international agreements to be resolved in a regional (Latin American) forum; and preventing disputes between the Republic and private companies from becoming disputes between sovereigns. These principles are materialized in the enactment of the Production Code (see "*Economic and Social Policies—Production Code*") and Article 422 of the Constitution, which sets parameters for disputes relating to international agreements.

MONETARY SYSTEM

The Central Bank

The role of the Central Bank is to promote and contribute to the economic stability of the country. It acts as the manager of the public sector's accounts and provides financial services to all public sector institutions that are required to hold their deposit accounts in the Central Bank. Management of these accounts primarily involves transfer operations between entities, including from the Government to other entities, and transfers to accounts in other banks, both foreign and domestic. The Central Bank is also the central coordinator of the payment system. All domestic banks conduct their clearing operations through the Central Bank, and also use the bank to hold their liquidity reserves. In addition, the Central Bank monitors economic growth and economic trends. To accomplish this task, it has developed statistical and research methodologies to conduct analyses and policy recommendations on various economic issues.

The functions of the Central Bank were sharply reduced as a result of the Dollarization Program. It no longer sets monetary policy or exchange rate policy for Ecuador. Instead, the Ecuadorian economy is currently directly affected by the monetary policy of the United States, including U.S. interest rate policy. The Ecuadorian Economic Transformation Law, which made the U.S. dollar legal tender in Ecuador, provided for the Central Bank to exchange, on demand, sucres at a rate of 25,000 sucres per U.S.$1. The law also prohibited the Central Bank from incurring any additional sucre-denominated liabilities, and required that the Central Bank redeem sucre coins and bank notes for U.S. dollars.

Pursuant to the 2008 Constitution, the role of the Central Bank has changed further in that its authority and autonomy have decreased. Currently, the main functions of the Central Bank are to execute Ecuador's monetary policy, which involves managing the system of payments, investing International Reserves, managing the liquidity reserve, and acting as depositary of public funds and as a fiscal and financial agent for the Republic. The Central Bank also sets policy and strategy design for national development, executes the Republic's macroeconomic program, and maintains financial statistics, which it publishes in monthly bulletins.

On August 12, 2015, after the Monetary and Financial Law abolished the position of president of the Central Bank, the Central Bank named Diego Martínez as its General Manager. On May 23, 2017, President Moreno named Verónica Artola Jarrín as General Manager of the Central Bank. According to the Monetary and Financial Law, the Committee of Monetary and Financial Policy Regulation is comprised of the Minister of Economy and Finance, the Minister for National Planning, a Minister who is designated by the President to serve on the Committee as the representative of the productive sector, and a delegate appointed by the President. The Superintendent of Banks, the Superintendent of Companies, Securities and Insurance, the Superintendent of Popular Economy, the General Manager of the Central Bank and the Chairman of the Board of Directors of the Deposit Insurance Corporation, Liquidity Fund and Private Insurance Fund may attend committee meetings but have no right to vote. Under the supervision of this committee, the General Manager oversees operations of the Central Bank, which operates through the office of the Vice General Manager in Quito and two other branches in Cuenca and Guayaquil.

The Monetary and Financial Law also establishes the role and structure of public banks, including the Government-owned Ecuadorian Development Bank, formerly denominated, *Banco del Estado*. Since 1979, the role of the Ecuadorian Development Bank has been to finance Government investment and infrastructure projects through loans to municipalities and provinces and to grant loans to municipalities and provinces. In 2017, the Ecuadorian Development Bank made a total of approximately over U.S.$505.96 million in disbursements to Ecuador's Autonomous Decentralized Governments. In 2018, the Ecuadorian Development Bank made a total of approximately over U.S.$420.7 million in disbursements to Ecuador's Autonomous Decentralized Governments. During the period from January 1, 2019 through December 31, 2019, the Ecuadorian Development Bank made a total of U.S.$576.3 million in disbursements to Ecuador's Autonomous Decentralized Governments.

On January 8, 2016, the Central Bank issued U.S.$200 million in bonds governed by Ecuadorian law. The bonds were issued to several of Ecuador's municipalities as payment for value added tax amounts owed to the municipalities by the Ministry of Economy and Finance as well as for payment to third party contractors with which Ecuador had accounts payable.

On November 24, 2016, the Monetary and Financial Policy and Regulation Board issued Resolution No. 302-2016-F amending Resolution No. 273-2016-F by increasing from 2% to 5% the reserves that financial institutions with more than U.S.$1.0 billion in assets are required to hold at the Central Bank.

As of October 23, 2017, the Ministry of Economy and Finance stated that on January 16, 2017, it entered into payment agreements for around U.S.$786 million in *Títulos del Banco Central* ("Central Bank Certificates") with representatives of the Autonomous Decentralized Governments to arrange for payment of the amounts owed to them.

According to the Central Bank's monthly statistical bulletin, as of December 31, 2018, Ecuador's International Reserves totaled U.S.$2,676.5 million, an increase from December 31, 2017 when International Reserves totaled U.S.$2,451.1 million. The increase in International Reserves during the 12-month period ending in December 31, 2018 compared to the period ending in December 31, 2017 was mainly due to an increase in the net income of oil exports and the net payment of external public debt, which allowed to offset the net outflow of the private financial sector (mainly due to goods and services imports) by U.S.$2,091 million, the non-oil imports of the public sector and payments in arbitral awards by U.S.$1,927 million, and net cash withdrawals from the financial system by U.S.$589 million.

According to the Central Bank's monthly statistical bulletin, as of December 31, 2019, Ecuador's International Reserves totaled U.S.$3,397.1 million, a 26.9% increase from December 31, 2018 when International Reserves totaled U.S.$2,676.5 million. The increase in International Reserves during the 12-month period ending in December 31, 2019 compared to the period ending in December 31, 2018 was mainly due to four factors. First, in terms of net income, more money transfers were received from crude oil exports than money transfers made for derivatives imports, which resulted in an accumulation of U.S.$2,256.5 million in Ecuador's International Reserves. Second, in terms of net outflows, the International Reserves decreased due to net money transfers abroad from the private and public sectors in the amounts of U.S.$1,750.2 million and U.S.$1,025.4 million, respectively. Third, there was a decrease in net withdrawals of cash from the financial system of U.S.$426.6 million. Finally, there was an increase in the net public external debt of U.S.$1,624.8 million.

According to the Central Bank's monthly statistical bulletin, as of June 30, 2020, Ecuador's International Reserves totaled U.S.$2,665.6 million, a decrease from June 30, 2019 when International Reserves totaled U.S.$4,095.3 million. This decrease in International Reserves was principally due to net money transfers abroad during this period with U.S.$2,272 million in cash withdrawals from the financial system and U.S.$1,873 million cash withdrawals from the public sector.

On October 18, 2019, President Moreno presented before the National Assembly the draft Law on Economic Development which, among other reforms, was aimed at reforming certain aspects of Ecuador's financial laws and regulations to, among other objectives, (i) enhance fiscal sustainability establishing stricter budget controls and (ii) strengthen dollarization by enhancing the Central Bank's autonomy, see "*The Republic of Ecuador—Measures by President Moreno.*" On November 17, 2019, the National Assembly voted to reject the draft Law on Economic Development. In response, on November 21, 2019, President Moreno presented the draft Organic Law on Tax Simplification, replacing the draft Law on Economic Development with respect to certain aspects of the intended tax reform. The Organic Law on Tax Simplification was first approved by the National Assembly on December 9, 2019, and after a Presidential partial veto, it was finally approved on December 30 and became effective on December 31, 2019, see "*The Republic of Ecuador—Measures by President Moreno.*"

Financial Sector

Supervision of the Financial System

The financial sector consists of various financial institutions, insurance companies, and the securities markets, in accordance with the Monetary and Financial Law. In accordance with the Monetary and Financial Law, the Committee of Monetary and Financial Policy Regulation regulates (1) all private sector financial institutions including banks and credit card issuers, (2) public sector and private financial institutions, with respect to their solvency, liquidation, financial prudence and other administrative matters, (3) insurance and re-insurance companies, and (4) the securities markets. In addition, the Committee of Monetary and Financial Policy Regulation

provides general oversight and regulation for the financial system, including the Central Bank, the Superintendent of Banks, COSEDE, the Liquidity Fund, and private banks.

The Ecuadorian financial system is composed of the Central Bank, private commercial banks, cooperative banks, and several state development and state-owned banks.

The Monetary and Financial Law permits the establishment of universal banks (banks that can offer all types of banking services), and provides for the equal treatment of foreign and domestic financial institutions. Ecuadorian financial institutions may, with authorization from the Superintendent of Banks, establish foreign offices and invest in foreign financial institutions. Foreign subsidiaries of Ecuadorian financial institutions must also conform to the guidelines established by the Monetary and Financial Law, in order to promote prudent banking and investment policies, and ensure financial solvency. Each year, external auditors must provide opinions regarding capital adequacy, concentration of loans, interested debtors, and asset classifications on both unconsolidated and consolidated bases for all Ecuadorian banks. The Republic has structured its guidelines under the Monetary and Financial Law so as to be consistent with the banking supervision guidelines established by the Basel Committee on Banking Supervision.

The Monetary and Financial Law designates the Superintendent of Banks as the principal regulatory authority for the Republic's financial system. The Superintendent of Banks is tasked primarily with prudential matters including capital adequacy, liquidity earnings, management risks, and the solvency and risk asset quality of financial institutions.

The Monetary and Financial Law creates the Committee of Monetary and Financial Policy Regulation to oversee and regulate the execution of monetary, foreign exchange, financial, insurance, and securities policies of the country. The committee replaces existing regulatory bodies, and also serves as an overall supervisory body to oversee the activities of the Republic's financial entities, including supervisory agencies such as the Superintendent of Banks. The committee is comprised of delegates from Ecuador's Ministry of Economy and Finance, the Ministry of Production and Industrialization, the National Secretary of Planning and Development, the Ministry of Economic Policy, and a delegate appointed by the President. Among the principal functions of the committee are:

- the oversight and monitoring of the liquidity requirements of Ecuador's financial system, with the objective of ensuring that liquidity remains above certain levels (to be determined by the Committee of Monetary and Financial Policy Regulation);
- the auditing and supervision of the Central Bank and Superintendent of Banks;
- the establishment of regulations for the Republic's electronic payment system; and
- the oversight of borrowing requirements for private loans.

Since the crisis in the banking system during the late 1990s, during which a number of banks became insolvent, the Superintendent of Banks has worked to improve banking supervision standards. Since 2001, the Superintendent of Banks has reformed the regulatory framework for banking supervision.

As part of the reforms, the Superintendent of Banks implemented measures that included the following:

- Programs for regulatory on-site audits and periodic reporting requirements. These are published in national newspapers, with the intention of ensuring that banks comply with regulatory standards;
- Uniform accounting risks for the financial system;
- Liquidity risk, which derives from the incapacity of financial institutions to cover their liabilities and other obligations when due, in both local and foreign currency;
- Evaluation of market risk based on interest rate risk, which refers to the potential losses of net income or in the capital base, due to the incapacity of the institution to adjust the return on its productive assets

(loan portfolio and financial investment) with the fluctuations in the cost of its resources produced by changes in interest rates; and

- Evaluation of credit risk based on a detailed method for classifying financial assets in terms of risk.

This method increased the amounts which financial institutions are required to reserve in order to mitigate potential losses arising from their loans ("Loan-loss Reserve"). With respect to Loan-loss Reserve, current regulations impose reserve requirements based on risk categories and type of financial assets. These requirements have been introduced to bring them in line with international standards, and to increase the average quality of the financial system's loan portfolio. As of the date of the Invitation Memorandum, Ecuador's solvency rules for financial institutions correspond to Basel I. As of the date of the Invitation Memorandum, no time limit exists for banks in Ecuador to become compliant with Basel II or Basel III.

The following table sets forth information regarding the risk categories and Loan-loss Reserve requirements currently in force pursuant to Resolution No. 209-2016-F, of February 12, 2016 promulgated by the Committee of Monetary and Financial Policy and most recently updated by Resolution No. 358-2017-F, of April 28, 2017.

Risk Categories and Required Loan-loss Reserve
(in number of days past due, except for percentages)

Category [1]	Commercial [2]	Consumer	Mortgage	Small Business [3]	Loan-loss Reserve
A1	0	0	0	0	1%
A2	1-15	1-8	1-30	1-8	2%
A3	16-30	9-15	31-60	9-15	3% - 5%
B1	31-60	16-30	61-120	16-30	6% - 9%
B2	61-90	31-45	121-180	31-45	10% - 19%
C1	91-120	46-70	181-210	46-70	20% - 39%
C2	121-180	71-90	211-270	71-90	40% - 59%
D	181-360	91-120	271-450	91-120	60% - 99%
E	+360	+120	+450	+120	100%

Source: the Codification of Resolutions of the Board of Monetary and Financial Policy Regulations.

(1) Ecuador subdivides Categories A, B, and C into sub-categories.

(2) For commercial loans, in addition to the number of days due, three factors are considered for classification among risk categories: (a) debtor payment capacity and financial situation; (b) experience of payment (risk information from the system, debtor's credit history); and (c) risk of the economic environment.

(3) Classified, with respect to (a) retail microcredit, as loans up to U.S.$1,000, (b) microcredit simple accumulation, as loans from U.S.$1,000 to U.S.$10,000, (c) microcredit extended accumulation, as loans in excess of U.S.$10,000 and (d) agricultural microcredit. Persons with annual sales equal to or less than U.S.$100,000, or groups of lenders guaranteeing or financing small scale production or commercialization are eligible for microcredit loans.

The following table sets forth information regarding loans of the banking system by risk category as of May 31, 2020.

Classification of Aggregate Assets of the Ecuadorian Private Banking System[(1)]
(as a % of total loans)

	As of May 31, 2020			
Category	Commercial loans	Consumer loans	Mortgage loans	Small business
A	79.69	92.89	92.64	93.81
B	14.18	1.64	5.22	1.53
C	5.41	2.13	0.65	1.05
D	0.25	0.90	0.70	0.54
E	0.46	2.45	0.79	3.08
Total	**100**	**100**	**100**	**100**

Source: Superintendent of Banks as of May 2020. Based on data from private banks.

(1) As of the date of this Offering Circular, Banks must hold 60% of total liquidity in Ecuador.

The Financial Safety Net

Former President Correa's administration determined that the financial safety net in place when he took office was insufficient, as there was no lender of last resort. In many countries, the central bank acts as the lender of last resort. Due to Ecuador's Dollarization Program, however, the Republic's lending capacity was limited to the *Fondo de Liquidez del Sistema Financiero Ecuatoriano* ("Liquidity Fund"). Former President Correa's administration believed that the lack of a strong lender of last resort increased the risks to the financial system, and decreased liquidity within the system.

In light of these perceived deficiencies, the Government passed the Financial Safety Net Law in December 2008. The new law created a four-tiered framework for the banking sector. These four tiers are described below.

Lender of Last Resort

In accordance with the Financial Safety Net Law, this was designed to strengthen the Liquidity Fund, the Liquidity Fund acts as the lender of last resort for private financial institutions. The Liquidity Fund is overseen by the Superintendent of the Banks and administered by the Central Bank. The assets of the Liquidity Fund are subject to sovereign immunity and cannot be subject to attachment of any kind.

Banking Resolution System

The second tier of the Financial Safety Net Law is the creation of a banking resolution scheme called *Exclusión y Transferencia de Activos y Pasivos* ("Exclusion and Transfer of Assets and Liabilities" or "ETAP"). Under ETAP, healthier labor contingencies, deposits and assets can be excluded from the balance sheet of a troubled banking institution and transferred to a newly created entity or to one or more healthier banking institutions. This policy is intended to separate good assets from non-performing assets and create an efficient and orderly banking resolution process.

Deposit Insurance

The third tier of the Financial Safety Net Law consists of the establishment of COSEDE. The COSEDE is the successor to the Deposit Guarantee Agency, which was previously responsible for insuring the accounts of depositors in Ecuador's banking systems. In December 1998, the AGD was created as a response to the banking crisis by the *Ley de Reordenamiento en Materia Económica en el Área Tributario-Financiera* ("Law Reorganizing Economic Matters in the Tax and Finance Areas"). The AGD had a dual role: to oversee the amounts the Republic deposited with the Central Bank in order to protect depositors, and to help restructure banks in liquidation.

In December 2009, the AGD closed. The net assets of the AGD were then temporarily transferred to the Ministry of Economy and Finance and to COSEDE and thereafter transferred to the CFN, a separate Government institution. The Deposit insurance administered by COSEDE had assets of U.S.$1,678 million, U.S.$1,937 million

and U.S.$2,238 million as of December 31, 2017, 2018 and 2019, respectively. As of May 31, 2020, COSEDE had assets corresponding to its administration of deposit insurance funds from various financial institutions of U.S.$2,308 million, an increase from U.S.$2,239 million as of May 31, 2019.

In accordance with the Financial Safety Net Law, and Resolution JB-2009-1280, COSEDE administers the private financial institutions insurance deposit system, which does not include any public banking institution. COSEDE insures deposits of up to U.S.$32,000 per account, whereas the AGD guaranteed accounts with public resources without limit. Pursuant to the Financial Safety Net Law, banks are required to contribute to COSEDE an amount determined annually in accordance with the total amount of deposits held. Under the Monetary and Financial Law, deposits in the COSEDE are subject to sovereign immunity and cannot be subject to attachment of any kind.

Superintendent of Banks

Under the fourth tier of the Financial Safety Law, the Superintendent of Banks is authorized to increase the capital and reserves requirement of banking institutions.

The Financial System

The following table sets forth, by type, the number of financial institutions in the Ecuadorian financial system for the periods indicated.

Number of Financial Institutions

	As of December 31,			As of May 31[3],	
	2017	**2018**	**2019**	**2019**	**2020**
Banks	24	24	24	24	24
National banks	23	23	23	23	23
Private	22	22	22	22	22
Government-owned banks	1	1	1	1	1
Foreign banks	1	1	1	1	1
Other financial entities	33	38	40	40	39
Savings and loans associations[1]	26	31	33	33	32
Small lending institutions	4	4	4	4	4
Financial institutions	0	0	0	0	0
Public banks	3	3	3	3	3
Insurance companies[2]	33	31	31	31	31
Insurance companies	32	30	30	30	30
Reinsurance companies	1	1	1	1	1
Credit-card issuing entities	0	0	0	0	0
Total	**90**	**93**	**95**	**95**	**94**

Source: Superintendent of Banks as of May 2020.

(1) Savings and Loans Associations include the *Cooperativas de Ahorro y Crédito de Primer Piso, del Segmento 1.* On February 13, 2015, the Committee of Monetary and Financial Policy passed Resolution 038-2015-F, which set out parameters for the division of savings and loans associations into 5 categories, setting the minimum threshold for inclusion in Category 1 at entities with assets above U.S.$80 million. This threshold will be reviewed by the Committee of Monetary and Financial Policy Regulation on an annual basis.

(2) Insurance companies figures from Superintendent of Companies.

(3) Except as otherwise indicated.

As part of the measures taken by the Government at the outset of the COVID-19 outbreak, on June 8, 2020, the Monetary and Financial Policy and Regulation Board issued temporary modifications to the Monetary, Financial, Securities Code and Insurance Resolutions to support the private sector including deferrals of credit obligations and a requirement of banks to add loss provisions on their gross lending portfolio during 2020. Finally, in order to alleviate liquidity constraints for the financial sector, the Monetary and Financial Policy and Regulation Board has approved a reduction in the annual contribution by private sector financial institutions to the Liquidity Fund by 3% from 8% to 5% of eligible deposits. As of the date of the Invitation Memorandum, the Government estimates that this measure has freed approximately U.S.$940 million in liquid resources for the financial system.

Banking System

Overview

As of May 31, 2020, the Ecuadorian banking system had a total of 24 banking institutions, of which one was a foreign bank operating in Ecuador and one was a state-owned commercial bank. As of December 31, 2018, the assets of the banking system totaled U.S.$40,984 million, an increase of 5.15% from U.S.$38,975 million as of December 31, 2017. This increase was principally due to an increase in the loan portfolio of U.S.$2,656 million. As of December 31, 2019, the assets of the banking system totaled U.S.$44,583 million, which increased from U.S.$40,984 million as of December 31, 2018. As of May 31, 2020, the assets of the banking system totaled U.S.$43,882 million, an increase of 6.22% from U.S.$41,311 million as of May 31, 2019. As of June 30, 2020, the assets of the banking system totaled U.S.$44,251 million, an increase of 6.19% from U.S.$41,672 million as of June 30, 2019.

The following table sets forth the total assets of the Ecuadorian private banking sector and the percentage of non-performing loans over total loans.

Banking System

	As of December 31,			As of June 30,	
	2017	**2018**	**2019**	**2019**	**2020**
Total assets (in billions of U.S. dollars).....	39.0	41.0	44.6	41.7	44.3
Non-performing loans (as % of total loans)...	3.0%	2.6%	2.7%	3.0%	2.8%

Source: Superintendent of Banks as of June 2020.

The following table sets forth deposit information for the private banking system on the dates indicated.

Private Bank Deposits
(in millions of U.S.$, except for percentages)

	Demand Deposits	Time Deposits	Total Time and Demand Deposits[1]	Annual growth rate of Time and Demand Deposits
December 31, 2017	19,912	9,440	29,352	7%
December 31, 2018	19,457	10,388	29,845	2%
December 31, 2019	19,764	12,374	32,138	7.7%
June 30, 2019	18,819	11,362	30,181	4%
June 30, 2020	19,840	12,347	32,187	7%

Source: Superintendent of Banks as of June 2020.
(1) Total does not include reported operations, guarantee deposits and restricted deposits.

Banking deposits, primarily composed of demand deposits and time deposits, constitute the principal source of financing for the banking system. As of December 31, 2018, time and demand deposits totaled U.S.$29,845 million, an increase of 1.7% compared to December 31, 2017. This increase was principally due to an increase in time deposits of U.S.$948 million. As of December 31, 2019, private banks' time and demand deposits totaled U.S.$32,138.0 million, an increase compared to U.S.$29,845 million as of December 31, 2018. As of May 31, 2020, private banks' time and demand deposits totaled U.S.$31,800 million, an increase compared to U.S.$30,065 million as of May 31, 2019. As of June 30, 2020, time and demand deposits totaled U.S.$32,187 million, an increase of 6.6% compared to June 30, 2019.

The majority of funding for the Ecuadorian banking system is comprised of demand deposits, which decreased 0.7% from U.S.$19,912 million in 2017 to U.S.$19,764 million in 2019. Time deposits increased 31% from U.S.$9,440 million in 2017 to U.S.$12,374 million in 2019. As of December 31, 2018, time deposits totaled U.S.$10,388 million, an increase of 10.0% since December 31, 2017. This increase was principally due to an increase in time deposits with a 180 and 360 days term. As of December 31, 2019, private bank's time deposits totaled U.S.$12,374.4 million, an increase from U.S.$10,388 million as of December 31, 2018.

As May 31, 2020, private bank's time deposits totaled U.S.$12,132 million, an increase of 8.1% from May 31, 2019. As June 30, 2020, private bank's time deposits totaled U.S.$12,347 million, an increase of 8.7% from June 30, 2019.

Foreign banks and financial institutions are also a source of liquidity in the Ecuadorian banking system. As of December 31, 2018, the balance of foreign liabilities in the banking sector amounted to approximately U.S.$1,799 million, which is an increase of 12.9% from the balance of foreign liabilities in December 31, 2017, which was U.S.$1,593 million. As of December 31, 2019, the balance of foreign liabilities in the banking sector amounted to approximately U.S.$2,512 million, which increased compared to the balance of foreign liabilities as of December 31, 2018, which was U.S.$1,799 million. As of June 30, 2020, the balance of foreign liabilities in the banking sector amounted to approximately U.S.$2,566 million, which is an increase of 15.7% from the balance of foreign liabilities in June 30, 2019, which was U.S.$2,218 million.

The following table sets forth information regarding the principal sources of financing with respect to total liabilities as of the dates indicated.

Classification of the Main Financing Accounts with Respect to Liabilities

(as % of total liabilities)

	Demand deposits	Time deposits	Foreign financing
December 31, 2017	57	27	5
December 31, 2018	53	29	5
December 31, 2019	50	31	6
June 30, 2019	51	31	6
June 30, 2020	51	31	7

Source: Superintendent of Banks as of June 2020.

The following table sets forth information regarding the allocation of principal asset accounts, with respect to total assets of the banking system as of the dates indicated.

Allocation of the Principal Asset Accounts with Respect to Total Assets of the Banking System

(as a % of total assets)

	Portfolio of current loans	Investments
December 31, 2017	61.3	14.7
December 31, 2018	65.0	13.1
December 31, 2019	65.5	14.0
June 30, 2019	66.3	13.5
June 30, 2020	63.4	14.2

Source: Superintendent of Banks as of June 2020.

As of December 31, 2018, the banking system represented 79.65% of the total assets of the private financial system. For the year ended December 31, 2018, the banking system generated a profit of U.S.$553.8 million, which according to data from the Superintendent of Banks represented 0.51% of Ecuador's nominal GDP and an increase compared to U.S.$395.8 million as of December 31, 2017. The banking system strengthened between 2017 and 2018, and its assets expanded by 5.15% due to an 11.60% increase in the loan portfolio. For the period ended in December 31, 2019, the banking system generated a profit of U.S.$615.8 million compared to U.S.$553.8 million in 2018.

As of May 31, 2020, the banking system represented 77.8% of the total assets of the private financial system. For the period ended in May 31, 2020, the banking system made a profit of U.S.$125.5 million compared to U.S.$242.5 million for the same period in 2019. For the period ended in June 30, 2020, the banking system made a profit of U.S.$141.2 million compared to U.S.$295.5 million for the same period in 2019.

Ecuador's banks use their resources primarily to extend loans. Between 2017 and 2019, the Ecuadorian banking system's total loan portfolio increased by U.S.$5,428 million (22.1%) and past due loans increased by U.S.$93 million (12.8%). Financial entities may not carry out active and contingent operations with the same natural or legal person for an amount that exceeds, in aggregate, 10% of the technical equity of the entity. This limit will be raised to 20% if what exceeds 10% corresponds to obligations secured by guarantee. In no case may the appropriate guarantee have a value lower than the total value of the excess. The set of operations of the previous subparagraph may not in any case exceed two hundred percent (200%) of the patrimony of the subject of credit, unless there are adequate guarantees that cover, in excess of at least one hundred and twenty percent (120%).

The following table identifies the loans made to the private sector from the private banking sector, and the deposits of the private banking sector as of the dates indicated.

Loans to the Private Sector and Private Bank Deposits
(in millions of U.S.$)
As of June 30, 2020

Loans		Deposits	
Commercial,[1] Productive and Consumer Loans	24,133	Demand Deposits	19,840
Microenterprise Loans	1,992	Time Deposits	12,347
Education Loans	395	Guarantee Deposits	1
Real Estate and Public Housing Loans	2,369	Others	1,338
Total	**28,889**	**Total**	**33,527**

Source: Superintendent of Banks as of June 2020.
[1] Commercial loans refers to both the priority and ordinary loan portfolios under Ecuadorian banking regulation.

The following table sets forth information regarding the banking system's loan portfolio as of the dates indicated.

Banking System Loan Portfolio Balances
(in millions of U.S.$, except for percentages)

	Current loans	Past-due loans [1]	Total loan portfolio	Current loans as a percentage of the total loan portfolio	Past-due loans as a percentage of the total loan portfolio
December 31, 2017	23,873	728	24,601	97.0%	3.0%
December 31, 2018	26,609	717	27,325	97.4%	2.6%
December 31, 2019	29,209	821	30,029	97.3%	2.7%
June 30, 2019	27,636	840	28,476	97.0%	3.0%
June 30, 2020	28,068	821	28,889	97.2%	2.8%

Source: Superintendent of Banks as of June 2020.
(1) Past-due loans are classified by economic sector. Commercial past-due loans are classified as loans 31 days overdue, consumer past-due loans are classified as loans 16 days overdue, real estate past-due loans are classified as loans 61 overdue, and microcredit past-due loans are classified as loans 16 days overdue. Non-interest accruing loans are also included in past-due loans.

As of December 31, 2018, the delinquency rate decreased to 2.62% compared to the 2.96% delinquency rate as of December 31, 2017. This decrease was principally due to a 14.31% decrease in past-due loans (not including the portfolio of loans that do not accrue interest), while the total gross loan portfolio increased by 11.08%. As of May 31, 2020, the delinquency rate increased to 3.40% compared to the 3.05% delinquency rate as of May 31, 2019.

As of December 31, 2018, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.$31,257 million, an increase from the U.S.$30,689 million as of December 31, 2017. As of December 31, 2019, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.$33,678 million, an increase from the U.S.$31,257 million as of December 31, 2018. As of June 30, 2020, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.$33,527 million, an increase from the U.S.$31,609 million as of June 30, 2019.

Total current loans to the private sector from the private banking sector increased from U.S.$23,873 million as of December 31, 2017 to U.S.$26,609 million as of December 31, 2018. Total current loans to the private sector from the private banking sector increased from U.S.$26,609 million as of December 31, 2018 to U.S.$29,209 million as of December 31, 2019. Total current loans to the private sector from the private banking sector increased from U.S.$27,636 million as of June 30, 2019 to U.S.$28,068 million as of June 30, 2020.

The following table sets forth information regarding the number of past-due loans in different sectors of the economy as of the dates indicated.

Past due loans by sector of the economy
(in millions of U.S.$, and as a percentage of past due loans)

	As of December 31,						As of June 30,			
	2017		2018		2019		2019		2020	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Commercial	118	16.2	97	13.5	111	13.5	124	14.8	146	17.8
Consumer	448	61.6	466	65.1	537	65.5	535	63.7	436	53.0
Real estate	61	8.4	64	8.9	71	8.7	73	8.7	150	18.2
Microcredit	79	10.9	86	12.0	94	11.5	95	11.3	77	9.4
Education	21	2.9	3	0.4	7	0.9	13	1.5	13	1.6
Total	**727**	**100**	**716**	**100**	**820**	**100**	**840**	**100**	**822**	**100**

Source: Superintendent of Banks as of June 2020.

Banking Sector

The first, second and third largest banks by assets value in Ecuador are Banco del Pichincha, Banco del Pacífico and Produbanco, respectively. As of December 31, 2019, the three banks accounted for approximately 51.2% of the reported combined income (total income) and 50.9% of Ecuador's banking assets. Return on equity for these three banks averaged 13.9% as of December 31, 2019, a decrease of 1.1% compared to December 31, 2018, while net profit for these three banks increased from U.S.$280.0 million in 2018 to U.S.$292.0 million as of December 31, 2018.

Banco del Pacífico is 100% owned by the Republic, having been taken over from private shareholders during the banking crisis in 1999 and its shares transferred to the Central Bank. During 2010 and 2011 there had been discussions relating to the re-privatization of Banco del Pacífico, however, these plans were abandoned in 2011 when ownership was transferred from the Central Bank to CFN. As of December 31, 2017, Banco del Pacífico had approximately U.S.$5,452 million in assets and its profits in 2017 were U.S.$70.23 million. As of December 31, 2019, Banco del Pacífico had approximately U.S.$6,082 million, an increase compared to U.S.$5,534 million as of December 31, 2018. As of June 30, 2020, its assets totaled approximately U.S.$6,199 million. According to the Superintendent of Banks, Banco del Pacífico's profits were U.S.$100.3 million for each of the years ended December 31, 2019, and December 31, 2018. Its profits for the period ended in June 30, 2020, were U.S.$17.0 million.

Pacific National Bank was Banco del Pacífico's U.S. subsidiary, based in Miami. Pacific National Bank had approximately U.S.$355 million in assets, including U.S.$154 million in loans (mostly commercial real estate), U.S.$163 million in securities and U.S.$3.6 million in repossessed property. In 2011, the bank was fined U.S.$7 million by U.S. banking regulators for violations of the U.S. Bank Secrecy Act ("BSA") and anti-money laundering laws. In 2012, the Federal Reserve Bank of the United States placed Banco del Pacífico's shares in Pacific National Bank under the control of a trustee and ordered the sale of the shares to a third party. According to the regulatory consent order transferring the shares to the trustee, the share transfer to the trustee and sale are not related to the violations of the BSA, but due to the transfer of ownership of Banco del Pacífico from the Central Bank to CFN in 2011, which according to U.S. banking regulations does not qualify as a holding company for a U.S. chartered bank. On October 21, 2013, the shares were sold to a group of private investors.

According to the Superintendent of Banks, as of December 31, 2018, approximately 2.47% of the profits in the banking sector came from Citibank N.A. Ecuador Branch which on that date was the only foreign bank operating in Ecuador. According to the Superintendent of Banks, as of December 31, 2019, approximately 2.9% of the profits in the banking sector came from Citibank N.A. Ecuador Branch, which on that date was the only foreign bank operating in Ecuador. According to the Superintendent of Banks, as of May 31, 2020, approximately 3.5% of the profits in the banking sector came from Citibank N.A. Ecuador Branch, which on that date was the only foreign bank operating in Ecuador. As of June 30, 2020, approximately 3.7% of the profits in the banking sector came from Citibank N.A. Ecuador Branch.

Cooperative and Mutual Solidarity Financial Systems

In 2008, the Correa administration created the *Programa de Finanzas Populares* ("Program for Public Finance") to expand lending to smaller financial cooperatives, in order that they could increase lending to small businesses. These cooperatives extend micro-loans to individuals and businesses that could otherwise not obtain loans from commercial banks. In January 2008, cooperative loans were at 11.1% of total non-publicly owned bank lending. As of December 31, 2015, cooperative loans totaled U.S.$4,301 million. As of December 2017, cooperative loans totaled U.S.$5,295 million.

On February 13, 2015, the Committee of Monetary and Financial Policy passed Resolution 038-2015-F, which sets forth rules relating to the division of the savings and loan association sector as follows:

- Category 1: entities with assets above U.S.$80 million;
- Category 2: entities with assets between U.S.$20 million to U.S.$80 million;
- Category 3: entities with assets between U.S.$5 million to U.S.$20 million;
- Category 4: entities with assets between U.S.$1 million to U.S.$5 million; and
- Category 5: entities with assets below U.S.$1 million.

The threshold for Category 1 will be reviewed by the Committee of Monetary and Financial Policy Regulation on an annual basis. The additional four categories are set without further review by the Committee of Monetary and Financial Policy Regulation. Additional regulations applicable to each segment will be promulgated by the Superintendencia de Economía Popular y Solidaria (the "Superintendent of the Popular Economy," or "SEPS").

Interest Rates and Money Supply

In July 2007, the *Ley del Costo Máximo Efectivo del Crédito* ("Maximum Actual Credit Cost Law") went into effect to establish a new system for the calculation of interest rates. The principal aspects of this law are:

- the prohibition on charging commissions for credit operations and prepayments;
- the prohibition on imposing any fee that is not in the nature of compensation for the rendering of a service; and
- in December 2007, a change in the methodology for calculating the maximum interest rate of the Central Bank, whose methodology has since been declared unconstitutional, and has been further amended so that the maximum rate equals interest rates of credit operations of private financial institutions in each relevant sector, multiplied by an amount determined by the Central Bank.

In April 2015, Resolution 043-2015-F was published in the Official Gazette and became effective, establishing new categories of credits in the financial system, totaling 10. The purpose of this Resolution is to promote socially and environmentally responsible consumption, to encourage value generating investment and improve the efficiency of the financial system. The new categories of credit in the financial system include: productive credits, ordinary commercial credits, priority commercial credits, ordinary consumption credits, priority consumption credits, education credits, public interest housing credit, real estate credits, microcredits and public investment credits. Changes from the prior categorization include the following:

- "productive credits" are defined as those credits for which at least 90% of funds are dedicated to acquisition of capital goods, construction of infrastructure project and the purchase of industrial property rights;

- "consumer credits" are divided into "ordinary consumer loans," for the acquisition or commercialization of light fossil fuel vehicles and "priority consumer loans," dedicated to the purchase of goods or services or expenses not related to productive activity or ordinary commercial activity;

- "commercial credits" are defined as "ordinary commercial credits," which are available to persons whose annual sales are higher than U.S.$100,000.00 that acquire or commercialize light fossil fuel vehicles and "priority commercial credits," which are available for the acquisition of goods and services for commercial and productive activities to persons whose annual sales are higher than U.S.$100,000.00; and

- "education credits," which are available to individuals and accredited institutions to finance education and vocational or technical training, were introduced.

In addition to the new categorization of credit, the Committee of Monetary and Financial Policy Regulation fixed the maximum interest rates for each of these categories through Resolution No. 044-2015-F.

The following table sets forth average deposit interest rates for the economy as a whole and average lending interest rates per sector for the periods shown.

Interest Rates
(in percentages)

	As of December 31,			As of June 30,
	2017	**2018**	**2019**	**2020**
Deposit interest rate	5.0	5.4	6.2	6.0
Lending interest rate	7.8	8.7	8.8	9.1
Corporate productive lending interest rate[(1)]	7.8	8.7	8.8	9.3
Maximum corporate productive interest rate	9.3	9.3	9.3	9.3
Business productive lending interest rate[(2)]	8.9	9.9	9.0	10.0
Maximum business productive interest rate	10.2	10.2	10.2	10.2
Medium and small business productive lending interest rate[(3)]	10.8	11.2	11.4	10.8
Maximum medium and small business productive interest rate	11.8	11.8	11.8	11.8
Ordinary commercial lending interest rate[(4)]	8.0	8.1	8.5	9.0
Maximum commercial interest rate	11.8	11.8	11.8	11.8
Corporate commercial priority lending interest rate[(1)]	7.8	8.7	8.8	9.1
Maximum corporate commercial interest rate	9.3	9.3	9.3	9.3
Business commercial priority lending interest rate[(2)]	9.9	9.8	9.8	10.0
Maximum business commercial interest rate	10.2	10.2	10.2	10.2
Medium and small business commercial priority lending interest rate[(3)]	10.6	10.8	11.0	10.9
Maximum medium and small business commercial interest rate	11.8	11.8	11.8	11.8
Consumer lending interest rate[(5)]	n/a	n/a	n/a	n/a
Maximum consumer interest rate	n/a	n/a	n/a	n/a
Ordinary consumer lending interest rate[(5)]	16.7	16.6	16.3	17.0
Maximum Ordinary consumer interest rate	17.3	17.3	17.3	17.3
Priority consumer lending interest rate[(5)]	16.5	16.6	16.7	16.6
Maximum priority consumer interest rate	17.3	17.3	17.3	17.3
Education lending interest rate[(6)]	9.5	9.5	9.4	9.5
Maximum education interest rate	9.5	9.5	9.5	9.5
Housing lending interest rate	10.5	10.0	10.2	10.3
Maximum housing interest rate	11.3	11.3	11.3	11.3
Microcredit increased accumulation lending interest rate[(7)(8)]	21.1	n/a	n/a	n/a
Maximum microcredit increased accumulation interest rate[(8)]	25.5	n/a	n/a	n/a
Microcredit increased accumulation lending interest rate[(7)(9)]	n/a	20.9	20.8	20.3
Maximum microcredit increased accumulation interest rate[(9)]	n/a	25.5	25.5	25.5
Microcredit simple accumulation lending interest rate[(10) (8)]	24.7	n/a	n/a	n/a
Maximum microcredit simple accumulation interest rate[(8)]	27.5	n/a	n/a	n/a
Microcredit simple accumulation lending interest rate [(9)(10)]	n/a	22.5	22.7	21.7
Maximum microcredit simple accumulation interest rate[(9)]	n/a	27.5	27.5	27.5
Microcredit subsistence accumulation lending interest rate[(11) (8)]	27.4	n/a	n/a	n/a
Maximum microcredit subsistence accumulation interest rate[(8)]	30.5	n/a	n/a	n/a
Microcredit subsistence accumulation lending interest rate[(9)(11)]	n/a	23.6	23.4	21.8
Maximum microcredit subsistence accumulation interest rate[(9)]	n/a	30.5	30.5	30.5

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Source: Deposit and lending interest rates based on Central Bank June 2020 Monthly Bulletin (Table 1.10.1). Other figures based on Central Bank June 2020 Monthly Bulletin (Table 1.10.2).

(1) "Corporate lending rate" is the rate provided to businesses whose annual sales exceed U.S.$5,000,000.00.
(2) "Business lending rate" is the rate provided to businesses whose annual sales equal or exceed U.S.$1,000,000 up to U.S.$5,0000,000.00.
(3) "Medium and small business lending rate" is the rate provided to businesses whose annual sales equal or exceed U.S.$1,000,000 up to U.S.$5,0000,000.00.
(4) "Ordinary commercial lending rate" is the rate provided to businesses whose annual sales exceed U.S.$100,000.00 that acquire or commercialize light fossil fuel vehicles.
(5) In 2015 consumer credits were divided into "ordinary consumer credits," for the acquisition or commercialization of light fossil fuel vehicles and "priority consumer credits," dedicated to the purchase of goods or services or expenses not related to productive activity or ordinary commercial activity.
(6) "Education lending rate" is the rate provided to individuals for development of human capital by accredited institutions.
(7) "Microcredit increased accumulation lending rate" refers to credit transactions whose amount per trade and balance due to microcredit financial institutions exceed U.S.$10,000. This is the rate granted to entrepreneurs who register annual sales of less than U.S.$100,000.
(8) Under the Monetary, Financial, Securities and Insurance Resolutions Codification, which includes Resolution 437-2018-F of January 26, 2018, certain maximum rates were established for the microcredit segments after February 1, 2018, which will be applicable for the public finance sector, the private finance sector, credit unions and entities of segment 1 of the solidary and popular segment.
(9) Under the Monetary, Financial, Securities and Insurance Resolutions Codification, which includes Resolution 437-2018-F of January 26, 2018,

certain maximum rates were established for the microcredit segments after February 1, 2018, which corresponds to credit unions of segments 2, 3 and 4.

(10) "Microcredit simple accumulation lending rate" refers to credit transactions whose amount per transaction and balance due to microcredit financial institutions is larger than U.S.$1,000, but smaller than U.S.$10,000. This is the rate provided to entrepreneurs who register a sales level or annual income of less than U.S.$100,000 and to self-employed individuals.

(11) "Microcredit subsistence accumulation lending rate" refers to credit transactions that are less than or equal to U.S.$1,000. This is the rate provided to micro entrepreneurs who recorded a level of annual sales less than U.S.$100,000 and to self-employed, individuals or a group of borrowers with joint liability.

Average loan interest rates on short-term and long-term loans increased from 7.8% in 2017 to 8.8% in 2019. During the same period, the average interest rates on deposits increased from 5.0% in 2017 to 6.2% in 2019.

With respect to the various sectors, most loan interest rates remained stable during the period from 2017 through 2019 with the corporate productive lending interest rate increasing to 9.0% from 7.8%, and priority consumer lending rates increasing from 16.5% in 2017 to 16.7% in 2019. The ordinary consumer lending interest rate was 16.7% in 2017 decreasing slightly to 16.3% in 2017, and the priority consumer lending interest rate increased from 16.5% in 2017 to 16.7% in 2019. As of December 31, 2018, the ordinary consumer lending interest rate was 16.6% and the priority consumer lending interest rate was 16.6%. As of December 31, 2019, the ordinary consumer lending interest rate was 16.3% and the priority consumer lending interest rate was 16.7%. For May 2020 the ordinary consumer lending interest rate was 16.5% and the priority consumer lending interest rate was 16.8%.

As of December 31, 2017, the ordinary commercial lending interest rate was 8.0% and the corporate productive lending interest was 7.8%. As of December 31, 2018, the ordinary commercial lending interest rate was 8.1% and the corporate productive lending interest rate was 8.8%. As of December 31, 2019, the ordinary commercial lending interest rate was 8.5% and the corporate productive lending interest rate was 9.0%. For June 2020 the ordinary commercial lending interest rate was 9.1% and the corporate productive lending interest rate was 9.3%.

The following table sets forth the principal monetary indicators for the periods presented.

Principal Monetary Indicators
(in millions of U.S. dollars)

	At December 31,			At May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
Currency in circulation	14,859	15,916	16,966	15,811	18,152.7
Demand deposits	9,578	9,261	9,150	8,803	8,906
Fractional Currency	85	83	81	81	80
M1	**24,531**	**25,260**	**26,197**	**24,695**	**27,139**
Savings	5,245	4,860	4,377	4,657	5,634
Term deposits	26,260	28,405	31,771	29,314	31,812
M2 (M1 plus term deposits)	**50,791**	**53,665**	**57,967**	**54,009**	**58,950**

Source: Based on figures from the Central Bank June 2020 Monthly Bulletin (Table 1.1.1).

In January 2000, following several weeks of severe exchange-rate depreciation, the Republic announced that it would dollarize the economy. On March 1, 2000, the National Assembly approved the Ecuadorian Economic Transformation Law which made the U.S. dollar legal tender in Ecuador. Further, pursuant to the Ecuadorian Economic Transformation Law, all sucre-denominated deposits were converted into U.S. dollars effective January 1, 2000, and the U.S. dollar became the unit of account in the financial system. As a result, U.S. dollar deposits that in prior periods were classified as deposits in foreign currency have been, for periods from and after January 1, 2000, classified as demand deposits, savings or term deposits, as applicable.

Inflation

Ecuador measures the inflation rate by the percentage change between two periods in the consumer price index ("CPI"). The CPI is computed by INEC based on a standard basket of 299 items of goods and services that reflects the pattern of consumption of urban Ecuadorian households in eight cities. The price for each good or service that makes up the basket is weighted according to its relative importance in an average urban household's consumption pattern in order to calculate the CPI.

Prior to the adoption of the Dollarization Program, Ecuador was plagued by high inflation. From 1994 to 1999, the inflation rate ranged from a 22.8% low in 1995 to a 60.7% high in 1999. In 1999 and early 2000, the sharp devaluation of the sucre contributed to an increase in the Republic's inflation rate, which became one of the highest in Latin America at 96.1% in 2000.

The restrictions imposed by the Dollarization Program brought this to an end. The inflation rate was 2.7% in 2004, 2.2% in 2005, 2.8% in 2006, 3.3% in 2007 and 8.8% in 2008. The increase in inflation in 2008 was primarily caused by increases in food prices, due to climatic changes that affected the agricultural sector. In addition, the international prices of fertilizer and agricultural commodities also increased. As a result of these increases, Ecuador fixed the prices for some of these goods and limited the export of various agricultural products. As a result, during 2011, 2012, 2013 and 2014 the inflation rate followed a downward trend, each year at 5.41%, 4.16%, 2.70% and 3.67%, respectively. The decrease in the inflation rate in 2013, particularly, was due to the imposition of price controls intended to curb price speculation on basic foodstuffs including, meats, various fruits and vegetables, and milk.

According to the Central Bank, inflation increased from -0.20% for the 12-month period ended December 31, 2017 to 0.27% for the 12-month period ended December 31, 2018. This increase was primarily due to an increase in each of the prices of alcoholic beverages and tobacco by 2.43%, health products by 2.15%, and other goods and services by 1.79%. According to the Central Bank, inflation decreased from 0.27% for the 12-month period ended December 31, 2018 to -0.07% for the 12-month period ended December 31, 2019. This decrease was primarily due to five of twelve groups of goods and services, which account for 50.60%, having negative variations. Of these five, “clothing and footwear” (-2.13%) and “furniture, household items and ordinary home maintenance” (-1.44%) had the highest variation. Of the remaining seven groups which account for 49.40%, the highest positive variations were recorded by “education” (2.99%) and “health” (1.37%). According to the Central Bank, inflation decreased from 0.61% for the 12-month period ended June 30, 2019 to 0.17% for the 12-month period ended June

30, 2020. This decrease in the rate of inflation was the result of the increase in the proportion of negative price variations among the different groups of products used to measure inflation compared to the previous period, with "clothing and footwear" (-4.26%) and "recreation and culture" (-2.72%) showing the highest negative variations, despite "food and non-alcoholic beverages" (3.25%) and "health" (2.25%) having the highest positive variations for the period.

Given the constrains of dollarization, and Ecuador's inability to mint currency, the Republic is more vulnerable than other countries to external factors such as global recessions, the volatility of commodity and raw material prices and natural disasters affecting the agricultural sector. The relative strength or weakness of the dollar, relative to the currencies of Ecuador's Andean trading partners, has also affected Ecuador's inflation rate during those periods.

The following table sets forth inflation rates in the Republic as measured by the CPI for the periods presented.

Inflation
(% Change in CPI from Previous Year at Period End[(1)])

December 2017	-0.20
December 2018	0.27
December 2019	-0.07
June 2019	0.61
June 2020	0.17

Source: Based on figures from the Central Bank June 2020 Monthly Bulletin Table (4.2.1a).

(1) Data reflect percentage change in consumer prices in urban areas over the prior 12 month period.

PUBLIC SECTOR FINANCES

Overview

Budget Process

The 2008 Constitution and the Public Planning and Finance Code set forth the public sector's budget process. According to Article 292 of the 2008 Constitution, the General State Budget is the instrument for establishing and managing Government income and spending, and includes all public sector income and expenses, with the exception of those belonging to social security, public banks, public companies and the Autonomous Decentralized Governments. The drafting and implementation of the General State Budget adheres to the National Development Plan, while the budgets of the Autonomous Decentralized Governments and those of other public entities adhere to regional and provincial plans, with the framework of the National Development Plan. This plan is published by the Government every four years, and lays out the goals and priorities of the Government for that time period. The National Development Plan for 2017 to 2021 was released in September 22, 2017.

The executive branch formulates the annual budget estimate, and the four-year budgetary schedule, and presents both to the National Assembly for approval. The levels of revenue, expenditure, and debt are based on the macroeconomic projections and targets of the Ministry of Economy and Finance and the Central Bank. The Ministry of Economy and Finance is primarily responsible for the preparation of the public sector's annual budget, based on guidelines issued by various planning agencies and other ministries.

The executive branch submits the draft annual budget and the four-year budgetary schedule to the National Assembly within the first 90 days of its initial term and, in subsequent years, 60 days before the start of the relevant fiscal year. The National Assembly must adopt or object to the draft budget within 30 days. The objections of the National Assembly are limited to the areas of revenue and spending and cannot alter the overall amount of the draft budget. If the National Assembly objects to the draft budget or schedule, the executive branch may, within ten days, accept the objection and submit a new proposal to the National Assembly for approval. If the National Assembly does not object within 30 days, the draft annual budget and the four-year budgetary schedule become effective.

The 2008 Constitution also establishes predetermined budget allocations for the Autonomous Decentralized Governments, the health sector, the education sector, and for research, science, technology and innovation. The creation of any other predetermined budget allocations is forbidden.

The Ministry of Economy and Finance has the authority to modify the budget during its execution phase in an amount up to 5% of any approved allocation (before July 15, 2020, until the passing into law of the Organic Law for the Regulation of Public Finances, this authority was capped at 15% under the law, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances*" below). These adjustments must be made in accordance with the priorities and goals established in the National Development Plan and the constitutional limits established in Article 126 of the Public Planning and Finance Code. For more information regarding the National Development Plan and constitutional limits, see "*Public Debt—General*."

Income and expenses belonging to social security, state banks, public companies and the Autonomous Decentralized Governments are not considered part of the General State Budget. As such, Autonomous Decentralized Governments prepare their budgets in accordance with the non-binding guidelines prepared by the National Secretary of Planning and Development. The executive branch of each Autonomous Decentralized Government is responsible for drafting the budget and submitting it for approval before the corresponding legislative bodies. The General State Budget and local budgets, upon approval, are implemented and made public, as is the General State Budget, and are implemented by the respective local governments.

In 2002, in response to increasing Government expenditures, the National Assembly enacted the Law to Promote Responsibility, Stabilization and Fiscal Transparency, which was aimed at reducing public indebtedness and establishing greater transparency in the Government's use of public funds. During the second half of 2005, the Government, with the support of the National Assembly, replaced the *Fondo de Estabilización, Inversión Social, y Reducción del Endeudamiento Público* (the "Stabilization, Social Investment and Public Indebtedness Reduction Fund" or "FEIREP") that was previously created by the 2002 law. FEIREP was replaced by CEREPS. This resulted

in an increase in Government investment in the social and productive sectors of the economy to strengthen the economic performance while limiting current expenses.

In 2008, CEREPS was eliminated due to the 2008 Constitution and the enactment of LOREYTF. The Republic believes that the new law enhances transparency and flexibility to the budget process by providing enhanced management of state resources and prioritizing social investments. The law also eliminated all predetermined use of resources; currently all of the Republic's resources go directly to a single system of accounts in the Central Bank. Title 3 of the Public Planning and Finance Code also provides transparency by providing unrestricted access to all budget and financial information of the Republic and annual financial statements of public companies.

In accordance with the terms of the 2008 Constitution, the macroeconomic rules and the restrictions on the assumption of public debt were changed as follows:

- permanent expenditures must be financed by permanent income; expenditures related to health, education and justice will be treated as preferential and may be, under exceptional circumstances, financed by non-permanent income; and

- public debt or income from petroleum products may not be used for current Government expenditures.

Under the 2008 Constitution, each of the following is subject to the National Development Plan:

- policies;

- programs and public projects;

- scheduling and execution of the state budget; and

- investment and allocation of public resources.

Pursuant to the Public Planning and Finance Code, each of the following is also subject to the National Development Plan:

- public actions, programs and projects;

- public debt;

- international cooperation;

- scheduling, formulation, approval and execution of the General State Budget;

- state banks' budgets;

- national-level public companies; and

- social security.

The Organic Law for Productive Development, enacted on August 21, 2018, amended the Public Planning and Finance Code to prevent that a budget with a primary deficit be approved and ensure that any increase in the expenditure by the central government does not exceed the long term growth rate of the economy.

At the request of the Ministry of Economy and Finance, or on its own, the Office of the Comptroller General can perform an audit of all public sector entities that administer public funds for compliance with proposed budgets and compliance under the law.

Fiscal Policy

In October 2010, the National Assembly approved the Public Planning and Finance Code, which regulates the state planning process and coordinates planning with fiscal policy. This law (as amended under the Organic Law for the Regulation of Public Finances) establishes guidelines for fiscal management, including rules that:

- allow for more flexibility for the Ministry of Economy and Finance to reallocate and reassign expenditures up to 5% of the approved Government budget (before July 15, 2020, until the passing into law of the Organic Law for the Regulation of Public Finances, this authority was capped at 15% under the law, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances*");

- set an explicit total public debt ceiling of 40% of GDP including Central Government, non-financial public sector and the Autonomous Decentralized Governments (see "*Public Debt—General*" and "*—Organic Law for the Regulation of Public Finances*" for a description of the Republic's measures to decrease the public debt levels as of the date of the Invitation Memorandum to below the debt ceiling);

- allow the Ministry of Economy and Finance to issue CETES, at its discretion, without having to undergo the same approval process required for long-term internal and external sovereign debt;

- allow for the establishment of citizen committees for financial public policy consultations;

- determine that all excess cash not spent during a fiscal year will be accounted for as initial cash for the following fiscal year; and

- establish the functions and responsibilities of the Debt and Finance Committee. See "*Public Debt—General*."

The Organic Law for the Regulation of Public Finances amends the Public Planning and Finance Code and some of the guidelines for fiscal management currently in force. For more information on the amendments to the Public Planning and Finance Code by the Organic Law for the Regulation of Public Finances, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances.*"

The CGR Audit Report recommended that, in order to reconcile amounts comprising public debt, the Public Planning and Finance Code should be amended and Decree 1218 should be repealed with respect to the calculation of the total public debt to GDP ratio to ascertain the actual value of total public debt and determine if that amount exceeded the 40% debt to GDP ratio set out in Article 124 of the Public Planning and Finance Code. Following these recommendations, on June 21, 2018, the National Assembly passed the Organic Law for Productive Development which became effective on August 21, 2018, which expressly confirms that certain activities and instruments are considered a contingent liability, and therefore are not included in the calculation of the total public debt to GDP ratio, and provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply. The law also provides for the implementation of a fiscal stability plan by the Ministry of Economy and Finance for the period from 2018 to 2021. The law sets forth that in each subsequent fiscal year after 2021, the General State Budget must be presented with a fiscal program aimed at reducing over time the amount of total public debt relative to GDP, until it reaches a level below the 40% debt to GDP ratio. The new law also mandated that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, to be in accordance with article 123 of the Public Planning and Finance Code (as amended), internationally accepted standards and best practices for the registration and disclosure of public debt, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability.*" On October 15, 2018, President Moreno issued Decree 537 repealing Decree 1218 in its entirety which became effective on October 30, 2018, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*."

On November 19, 2018, the Ministry of Economy and Finance issued the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the new methodology (the "New Methodology"), which provides that the calculation of the public debt to GDP ratio is to be based on total public debt as published in

the official aggregate financial statements and the latest nominal GDP as published by the Central Bank. The New Methodology defines total public debt as the sum of the public debt incurred by the entities comprising the public sector and adds certain debt instruments to the calculation of public debt that were not previously included, including oil presales, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*." The April 2019 Debt Bulletin was the first report on public debt issued that followed the New Methodology. The Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology provides that by November 14, 2019, the Ministry of Economy and Finance was required to publish public debt figures calculated using the New Methodology going back to October 2010. Such deadline has not been met due to unexpected delays in gathering and consolidating the data, with the release of these updated public debt figures expected within the weeks following the Invitation Memorandum. Once these past public debt figures are published using the New Methodology, those numbers may vary from the public debt figures presented in this Appendix for the comparable period which were calculated based on the old methodology.

In addition, the Organic Law for Productive Development amends Article 124 of the Public Planning and Finance Code providing that in exceptional cases, fiscal rules and the 40% debt to GDP ratio limit may be temporarily suspended when natural catastrophes, severe economic recession, imbalances in the payment system, or national emergency situations occur, for which purpose the approval of the majority of the members of the National Assembly will be required. These rules may also be suspended in the event that the President of the Republic decrees a state of emergency, in accordance with the provisions of the Constitution. In these cases, the entity in charge of public finances will propose a plan to strengthen public finances to achieve and restore fiscal balance.

On December 18, 2018, by executive decree No. 617, President Moreno issued the Regulation to the Organic Law for Productive Development supplementing the Organic Law for Productive Development, which became effective on December 20, 2018. The Regulation to the Organic Law for Productive Development, among others, creates the procedures to implement and simplify the tax benefits that the Organic Law for Productive Development created for new investments and entrepreneurship; clarifies different concepts used in the Organic Law for Productive Development such as the concept of 'new investment;' creates the framework under which the VAT and exit tax returns on exports and other tax incentives will be carried out; closes any loopholes on the elimination of the excise tax; and creates the procedures to oversee compliance with fiscal rules with the goal of achieving sustainability of public finances.

The Regulation to the Organic Law for Productive Development also amends the Rules to the Public Planning and Finance Code to include a new section on fiscal rules and to amend certain articles. Article 133 of the Rules to the Public Planning and Finance Code is amended to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the central government in a period of no more than 60 days after the end of each month. These amendments also provide that in establishing the total amount of public debt, the Ministry of Economy and Finance will consider the aggregate public debt to GDP indicator of the entities constituting the public sector. This indicator will be calculated and projected based on the public debt aggregate statements, at least for the final balances, for the following four years. Among other provisions, the regulation provides guidance for calculating the debt to GDP ratio for these purposes, as well as for reducing the balance of the public debt below 40% and for ensuring that the balance of the public debt does not exceed 40% of GDP after it has been reduced.

The non-financial public sector deficit is primarily financed by the issuance of CETES and bonds placed with IESS. There is no maximum amount of CETES that may be issued per year nor is there a requirement to place a certain percentage in the public or private sector. However, IESS may only hold 75% of the value of its total portfolio in CETES.

As of December 31, 2017, International Reserves covered 9.5% of current account payments. For more information regarding International Reserves, see "*Balance of Payments—International Reserves.*" As of December 31, 2018, Ecuador's International Reserves totaled U.S.$2,676.5 million, an increase from December 31, 2017 when International Reserves totaled U.S.$2,451.1 million. The increase in International Reserves during the 12-month period ending in December 31, 2018 compared to the period ending in December 31, 2017 was mainly due to an increase in the net income of oil exports and the net payment of external public debt, which allowed to offset the net outflow of the private financial sector (mainly due to goods and services imports) by U.S.$2,091 million, the non-oil imports of the public sector and payments in arbitral awards by U.S.$1,927 million, and net cash withdrawals from the financial system by U.S.$589 million.

As of December 31, 2019, Ecuador's International Reserves totaled U.S.$3,397.1 million, a 26.9% increase from December 31, 2018 when International Reserves totaled U.S.$2,676.5 million. The increase in International Reserves during the 12-month period ending in December 31, 2019 compared to the period ending in December 31, 2018 was mainly due to four factors. First, in terms of net income, more money transfers were received from crude oil exports than money transfers made for derivatives imports, which resulted in an accumulation of U.S.$2,256.5 million in Ecuador's International Reserves. Second, in terms of net outflows, the International Reserves decreased due to net money transfers abroad from the private and public sectors in the amounts of U.S.$1,750.2 million and U.S.$1,025.4 million, respectively. Third, there was a decrease in net withdrawals of cash from the financial system of U.S.$426.6 million. Finally, there was an increase in the net public external debt of U.S.$1,624.8 million.

According to the Central Bank's monthly statistical bulletin, as of June 30, 2020, Ecuador's International Reserves totaled U.S.$2,665.6 million, a decrease from June 30, 2019 when International Reserves totaled U.S.$4,095.3 million. This decrease in International Reserves was principally due to net money transfers abroad during this period with U.S.$2,272 million in cash withdrawals from the financial system and U.S.$1,873 million cash withdrawals from the public sector.

The Organic Law for Productive Development, enacted on August 21, 2018, created a fiscal stabilization fund to ensure fiscal sustainability and health and education expenses, supported by the extra revenue above the flows contemplated under the Budget from the exploitation of non-renewable natural resources, after deducting the share earmarked to local governments. Under the Organic Law for Productive Development, this fiscal stabilization fund is not required to initiate until 2021 and as of the date of the Invitation Memorandum, it has not yet been funded.

On October 18, 2019, President Moreno presented before the National Assembly the draft Law on Economic Development which, among other reforms, was aimed at reforming certain aspects of Ecuador's financial laws and regulations to, among other objectives, (i) enhance fiscal sustainability establishing stricter budget controls and (ii) strengthen dollarization by enhancing the Central Bank's autonomy, see "*The Republic of Ecuador—Measures by President Moreno.*" On November 17, 2019, the National Assembly voted to reject the draft Law on Economic Development. In response, on November 21, 2019, President Moreno presented the draft Organic Law on Tax Simplification, replacing the draft Law on Economic Development with respect to certain aspects of the intended tax reform. The Organic Law on Tax Simplification was first approved by the National Assembly on December 9, 2019, and after a Presidential partial veto, it was finally approved on December 30, 2019, and became effective on December 31, 2019 , see "*The Republic of Ecuador—Measures by President Moreno.*"

On July 15, 2020, the Organic Law for the Regulation of Public Finances became effective as revised by the President. The Organic Law for the Regulation of Public Finances has two sections and a transitional provision. Section I is limited to amendments to the Public Planning and Finance Code and includes 45 articles, and Section II is limited to a single article amending a provision of the Organic Law of Spatial Planning and applicable ordinances. This law aims to improve the administration of public finances. It focuses on updates to budgetary ceilings, the predictability of public spending, establishment of new treasury securities and new tax rules, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances.*"

Non-Financial Public Sector Revenues and Expenditures

The following table sets forth actual revenues and expenditures for the consolidated non-financial public sector for the periods presented.

Summary of Consolidated Non-financial Public Sector Revenues and Expenditures
(in millions of U.S.$ and as a % of GDP)

	For the Year Ended December 31,						For the Five Months Ended May 31,	
	2017	% of GDP	2018	% of GDP	2019	% of GDP	2019	2020
Revenue								
Petroleum revenue								
Exports[1]	5,840	5.6	8,181	7.6	7,785	7.2	3,392	2,134
Domestic sales	-	-					-	-
Total petroleum revenue (a)	**5,840**	**5.6**	**8,181**	**7.6**	**7,785**	**7.2**	**3,392**	**2,134**
Non-petroleum revenue								
Income tax	3,764	3.6	4,803	4.5	4,311	4.0	2,315	1,989
Value-added tax	5,979	5.7	6,384	5.9	6,270	5.8	2,686	2,216
Selected excise taxes	937	0.9	978	0.9	899	0.8	375	302
Taxes on international trade	1,468	1.4	1,561	1.5	1,418	1.3	592	374
Social security contributions	5,415	5.2	5,541	5.2	5,863	5.5	2,360	2,276
Other[2]	7,911	7.6	7,727	7.2	6,690	6.2	2,941	2,845
Total non-petroleum revenue (b)	**25,473**	**24.4**	**26,994**	**25.1**	**25,450**	**23.7**	**11,269**	**10,001**
Operating income of public companies (c)	**2,113**	**2.0**	**2,849**	**2.7**	**2,700**	**2.5**	**1,028**	**804**
Total revenue (a+b+c)	**33,426**	**32.1**	**38,024**	**35.4**	**35,935**	**33.5**	**15,690**	**12,938**
Expenses								
Current expenditures								
Interest	2,209	2.1	2,648	2.5	2,899	2.7	1,120	1,181
Foreign	1,850	1.8	2,306	2.1	2,582	2.4	987	1,030
Domestic	359	0.3	342	0.3	317	0.3	132	151
Wages and salaries	10,365	9.9	10,310	9.6	10,116	9.4	4,025	3,917
Purchases of goods and services	5,056	4.9	4,724	4.4	4,620	4.3	1,848	1,554
Social security	4,999	4.8	5,382	5.0	5,773	5.4	2,278	2,348
Others	5,777	5.5	7,183	6.7	7,464	6.9	3,162	2,832
Total current expenditure	**28,407**	**27.2**	**30,247**	**28.1**	**30,871**	**28.7**	**12,443**	**11,832**
Capital expenditure and net lending								
Gross capital formation	8,648	8.3	9,940	9.2	7,883	7.3	2,477	2,232
General state budget	5,086	4.9	3,243	3.0	2,131	2.0	513	424
Public companies	1,870	1.8	1,827	1.7	1,773	1.7	745	589
Rest of general government	1,692	1.6	4,870	4.5	3,979	3.7	1,219	1,219
Other capital expenditure	1,024	1.0	402	0.4	143	0.1	191	-39.1
Total capital expenditure	**9,672**	**9.3**	**10,342**	**9.6**	**8,026**	**7.5**	**2,668**	**2,193**
Total expenditure	**38,079**	**36.5**	**41,393**	**38.5**	**38,943**	**36.2**	**15,110**	**14,053**
Surplus/Deficit	**-4,653**	**-4.5**	**-3,369**	**-3.1**	**-3,008**	**-2.8**	**580**	**-1,115**

Source: Based on figures from the Central Bank June 2020 Monthly Bulletin (Table 2.1 and Table 2.2) and the August 2019 Monthly Bulletin (Table 2.2).

(1) This figure is different than the crude oil exports figure in the Exports FOB table in that it includes derivate revenues, as opposed to only crude oil, and measures revenues from petroleum exports for the non-financial public sector, only.

(2) Includes other taxes and revenue.

In 2018, the non-financial public sector registered a deficit of U.S.$3,369 million compared to a deficit of U.S.$4,653 million in 2017. This decrease in the deficit was principally due to an increase in petroleum and tax revenues, as a result of an increase in the price per barrel of petroleum, and the reduction in capital expenditure, as well as a decrease in Central Government expenditures as a result of the optimization of investment projects. In 2018, total revenues for the non-financial public sector totaled U.S.$38,024 million, an increase from U.S.$33,426

million for 2017. This increase was primarily due to an increase in oil revenues. In 2018, total expenditures for the non-financial public sector totaled U.S.$41,393 million, an increase compared to U.S.$38,079 million in 2017. This increase was primarily due to an increase in current expenditure by approximately 5% of GDP.

In 2019, the non-financial public sector registered a deficit of U.S.$3,008 million compared to a deficit of U.S.$3,369 million in 2018. This decrease in the deficit was principally due to an adjustment program implemented by the Government in which the largest adjustment impact was made to total expenses of 5.9% with respect to the lower income of 5.5% of total income. In 2019, total revenues for the non-financial public sector totaled U.S.$35,935 million, a decrease from U.S.$38,024 million for 2018. This decrease was primarily due to the reduction of oil revenues by 4.6% mainly due to the variation in international oil prices and the lower collection of taxes since 2018 due to, among others, the implementation of certain tax amnesties. In 2019, total expenditures for the non-financial public sector totaled U.S.$38,943 million, a decrease compared to U.S.$41,393 million in 2018. This decrease was primarily due to the optimization of the programs and projects implemented by the Government during 2019.

For the first four months of 2020, the non-financial public sector registered a deficit of U.S.$27 million compared to a surplus of U.S.$465 million for the first four months of 2019. This increase in total deficit is primarily due to the drop in oil prices in the international market, breakdowns in the main pipelines that transport Ecuadorian crude oil, less economic activity due to the global pandemic of COVID-19 and its effects on the Ecuadorian economy and the resulting impact on tax collection that forced the rescheduling of payments dates of some taxes, such as the deferment of payment dates for corporate income tax and VAT for April, May and June of 2020. In the first five months of 2020, the non-financial public sector registered a deficit of U.S.$1,115 million, compared to a surplus of U.S.$580 million in the first five months of 2019.

For the first four months of 2020, total revenues for the non-financial public sector totaled U.S.$11,341 million, a decrease from U.S.$12,300 million for the first four months of 2019. This decrease was primarily due to the lower oil revenues and lower tax collection due to the effects of the COVID-19 pandemic. In the first five months of 2020, total revenues for the non-financial public sector totaled U.S.$12,938 million, a decrease from U.S.$15,690 million in the first five months of 2019.

For the first four months of 2020, total expenditures for the non-financial public sector totaled U.S.$11,368 million, a decrease compared to U.S.$11,835 million for the first four months of 2019. This decrease was primarily due to the optimization of current expenses and expenditures associated with the COVID-19 pandemic. In the first five months of 2020, total expenditures for the non-financial public sector totaled U.S.$14,053 million, a decrease from U.S.$15,110 million in the first five months of 2019.

Central Government Revenues and Expenditures

The Government derives its revenues primarily from sales of petroleum, tax collection and import duties, and other revenue, including transfers. The following table shows the actual Central Government revenues and expenditures for the periods presented. The central Government ("Central Government") includes the Republic's ministries, supervising entities, and other Government entities.

Consolidated Central Government Revenues and Expenditures[1]

(in millions of U.S.$, and as % of GDP)

	For the Year Ended December 31,						January 1 – May 31	
	2017	% of GDP	2018	% of GDP	2019	% of GDP	2019	2020
Revenue[2]								
Petroleum revenue	**1,676**	**1.6**	**8,008**	**7.4**	**7,559**	**7.0**	**2,285**	**2,051**
Non-petroleum revenue	**16,494**	**15.8**	**18,368**	**16.9**	**17,139**	**16.0**	**7,539**	**6,655**
Tax revenue								
Taxes on goods and services								
Value-added tax	5,979	5.7	6,384	5.9	6,270	5.8	2,686	2,216
Selected excise taxes	937	0.9	978	0.9	898	0.8	375	302
Total taxes on goods and services	6,916	6.6	7,362	6.8	7,168	6.7	3,061	2,517
Income Tax	3,764	3.6	4,803	4.4	4,311	4.0	2,316	1,989
Taxes on International Trade								
Import duties	1,468	1.4	1,561	1.4	1,418	1.3	592	374
Export duties[3]	935	0.9	1,042	1.0	957	0.9	382	347
Total taxes on international trade	2,403	2.3	2,602	2.4	2,375	2.2	974	721
Vehicle tax	191	0.2	215	0.2	223	0.2	106	65
Other taxes	805	0.8	469	0.4	439	0.4	194	268
Total tax revenue	**14,078**	**13.5**	**15,451**	**14.3**	**14,516**	**13.5**	**6,651**	**5,560**
Non-tax revenue	**2,098**	**2.0**	**2,143**	**2.0**	**2,065**	**1.9**	**694**	**708**
Transfers	**318**	**0.3**	**774**	**0.7**	**558**	**0.5**	**195**	**387**
Total revenues	**18,170**	**17.4**	**26,376**	**24.3**	**24,699**	**23.0**	**9,824**	**8,706**
Current expenditure								
Interest accrual								
Foreign	1,614	1.5	2,081	1.9	2,411	2.2	912	987
Domestic	868	0.8	929	0.9	867	0.8	373	392
Total interest accrual	2,482	2.4	3,010	2.8	3,278	3.1	1,284	1,379
Wages and salaries	9,140	8.8	9,464	8.7	9,311	8.7	3,645	3,559
Purchase of goods and services	2,139	2.1	2,424	2.2	2,281	2.1	851	681
Other current expenditures	715	0.7	6,331	5.8	6,558	6.1	1,787	2,801
Transfers	1,155	1.1	1,658	1.5	2,963	2.8	1,195	1,036
Total current expenditure	**15,630**	**15.0**	**22,887**	**21.1**	**24,392**	**22.7**	**8,763**	**9,455**
Capital expenditure								
Fixed capital expenditure	5,087	4.9	3,244	3.0	2,132	2.0	513	424
Other	369	0.4	145	0.1	40	0.0	32	0
Capital Transfers	3,226	3.1	3,494	3.2	3,448	3.2	1,250	1,307
Total capital expenditure	**8,682**	**8.3**	**6,882**	**6.3**	**5,619**	**5.2**	**1,794**	**1,732**
Total Expenditure[3]	**24,312**	**23.3**	**30,572**	**28.2**	**30,057**	**28.0**	**10,566**	**11,294**
Adjustment on treasury accounts	-	-	-	-	-	-	-	-
Overall surplus or deficit	**-6,142**	**-5.9**	**-4,197**	**-3.9**	**-5,359**	**-5.0**	**-742**	**-2,588**

Source: Based on figures from the Central Bank June 2020 Monthly Bulletin (Tables 2.2.1 and 2.2.1a.

(1) Figures as of December 31, 2017 are under the old methodology. From 2018, the new methodology considers that the Central Government is composed of the General State Budget, the Ministry of Energy and Non-Renewable Natural Resources the *Cuenta de Financiamiento de Derivados Deficitarios* (Deficit Derivatives Financing Account) and the Development Bank of Ecuador, according to the sectorization of the 2014 Public Finance Statistical Manual.

(2) Revenues are cash, expenditures are accrued.

(3) Includes all interest payments under foreign debt obligations..

Taxation and Customs

In 2018, Central Government revenues totaled U.S.$26,376 million, while total expenditures were U.S.$30,572 million. This resulted in an overall fiscal deficit of U.S.$4,197 million in 2018, a decrease in the deficit compared to the U.S.$6,142 million deficit in 2017. This decrease in the deficit was primarily due to an increase in non-oil revenue as well as an optimization of investment projects.

In 2019, Central Government revenues totaled U.S.$24,699 million, while total expenditures were U.S.$30,057 million. This resulted in an overall fiscal deficit of U.S.$5,359 million in 2019, an increase in the deficit compared to the U.S.$4,197 million deficit in 2018. This increase in the deficit was primarily due to the revenues collected in 2019 being 6.4% lower than those of 2018, principally due to lower oil revenues and lower tax collections.

For the first four months of 2020, Central Government revenues totaled U.S.$7,716 million, while total expenditures were U.S.$8,972 million. This resulted in an overall fiscal deficit of U.S.$1,256 million for the first four months of 2019, as compared to the U.S.$1,019 million deficit for the first four months of 2019. This increase in the deficit is primarily due to the impact of the reduction in oil revenues due to the decline in the international oil prices and lower tax collection, as well as the extraordinary expenses made to offset the effects of the COVID-19 pandemic. In the first five months of 2020, Central Government revenues totaled U.S.$8,706 million, an 11.4% decrease from U.S.$9,824 million in the first five months of 2019.

The 2008 Constitution grants the National Assembly the authority to create, amend or eliminate taxes by means of the law, without detriment to the attributions granted to Autonomous Decentralized Governments. Pursuant to the 2008 Constitution, only the President may submit bills that levy, amend or eliminate taxes. Municipal governments may also levy taxes. The 2008 Constitution provides that tax policy will promote redistribution and will stimulate employment, the production of goods and services, as well as ecologically, socially and economically responsible conduct. Furthermore, the 2008 Constitution expressly prioritizes direct and progressive taxes.

The value-added tax applies to most sales of tangible assets as well as most services, except for educational, public transportation, public services, childcare services and others. In the first four months of 2020, the value-added tax generated U.S.$1,918 million of total tax revenues, a decrease from the U.S.$2,177 million generated in the first four months of 2019. This decrease was primarily due to the reduction of economic activity caused by the COVID-19 pandemic, which at the end of four months had resulted in a quarantine order of around 45 days. In the first five months of 2020, the value-added tax generated U.S.$2,216 million of total tax revenues, a decrease from the U.S.$2,686 million generated in the first five months of 2019.

In 2019, the value-added tax generated U.S.$6,270 million of total tax revenues, a decrease from the U.S.$6,384 million generated in 2018. This decrease was mainly due to a higher tax collection due to a tax amnesty during 2019. If the effects of the tax amnesty are removed, the collection of the tax is slightly higher in 2019. The value-added tax has been the largest component of tax revenues in the past five years, generating U.S.$6,384 million of total tax revenues in 2018, an increase from U.S.$5,979 million in 2017. This increase was due to the tax amnesty law that allowed for greater tax collections that, compared to 2017, incorporated the effects of the earthquake law of 2016, due to which several provinces did not pay this tax.

In 2018, the value-added tax generated U.S.$6,384 million of total tax revenues, an increase from the U.S.$5,979 million generated in 2017. This increase was mainly due to the amounts of value-added tax collected from the non-financial public sector.

The second largest component of tax revenues is social security contributions, which accounted for U.S.$1,871 million of tax revenues in the first four months of 2020, a decrease from U.S.$1,874 million of tax revenues in the first four months of 2019. In the first five months of 2020, social security contributions accounted for U.S.$2,276 million of tax revenues, a decrease from U.S.$2,360 million of tax revenues in the first five months of 2019. In 2019, social security contributions accounted for U.S.$5,863 million of tax revenues, an increase from U.S.$5,541 million of tax revenues in 2018 and U.S.$5,415 million of tax revenues in 2017.

The third largest component of tax revenues is income tax, which accounted for U.S.$1,704 million of tax revenues in the first four months of 2020, an increase from U.S.$1,142 million of tax revenues in the first four months of 2019. In the first five months of 2020, tax revenues from income tax were U.S.$1,989 million, a decrease from U.S.$2,315 million of tax revenues in the first five months of 2019. In 2019, income tax accounted for U.S.$4,311 million of tax revenues, an increase from U.S.$4,803 million of tax revenues in 2018 and U.S.$3,764 million of tax revenues in 2017. Effective personal income tax rates for residents and non-residents who file tax returns in Ecuador range from 0% to 35%. The standard corporate tax rate in 2014 was 22%, down from 25% in 2012. However, a tax reform enacted in December 2014 increased the corporate tax rate to 25% for profits on distributions from Ecuadorian entities to residents domiciled in tax havens. Non-resident individuals are also subject to a flat income tax of 22% in 2013 (down from 24% in 2011 and 23% in 2012). The standard corporate tax rate for 2015 was 22% but increased to 25% for 2016 due to the 3% increase established by the Law of Solidarity. However, although the standard corporate tax rate decreased back to 22% for 2017, it was then increased to 25% under the Organic Law for the Reactivation of the Economy, Strengthening of Dollarization and Modernization of Financial Management.

Despite the decrease in revenues due to the decline in international oil prices in 2015 and 2016, revenues from income taxes have also steadily increased in the past six years. This increase was due to several tax reforms implemented during this period.

Tax Reforms

Historically, many individuals and companies did not pay taxes in Ecuador. Upon taking office, former President Correa aimed to change this behavior and institute a culture of paying taxes among citizens and companies. To that end, the Ministry of Education established the *Día de la Cultura Tributaria* ("Tax Culture Day") to be commemorated every April 27 and ran multiple television advertisements concerning the importance of tax payments. Ecuador completed these cultural efforts with legal reforms. Two of the most important reforms include the Reform Act to the Internal Tax Regime Law and the Reform Act for Tax Equity in Ecuador, which were enacted on December 23, 2009 and include the following measures:

- a 1% to 2% Currency Outflow tax, which was subsequently amended in November of 2011 to a 5% Currency Outflow Tax with an exemption, established in 2016, for the first U.S.$1,098 and U.S.$5,000 if a debit card or credit card is used (for more information regarding the Currency Outflow Tax, see "*Balance of Payments and Foreign Trade—Foreign Trade—Trade Policy*");

- taxation on dividends received by company shareholders as profits;

- changes in the manner in which the *Impuesto a los Consumos Especiales* ("Special Consumer Good Tax" or "ICE") calculates taxes on certain items for products such as cigarettes, alcoholic beverages and soft drinks. See "*The Ecuadorian Economy—Economic and Social Policies—Environmental Improvement and State Resources Optimization Law*";

- incentives for the production sector, such as a proposal to return the VAT for certain tourism activities, and exemptions on tax for reinvestment in science and technology; and

- a refund of the 12% VAT (increased to 14% for 2016 and returned to 12% effective June 1, 2017) for the public sector.

Other measures include the institution of numerous new individual tax deductions that encouraged the participation in payment of taxes. Taxpayers can apply these new deductions prior to the end of the tax year. Ecuador believes that the deductions and the advance payment system encourage participation and decreased the rate of tax evasion in the country. Ecuador has also improved its tax administration system to more easily identify tax evasion.

In December 2012, the National Assembly enacted the Comprehensive Law of Redistribution of Income for Social Expenditures, which went into effect on January 1, 2013. This law expands the scope of the VAT to

certain financial services provided by credit card administrators and private financial entities that were previously exempt.

In August 2014, a U.S.$42 flat tariff rate was introduced for all international purchases under U.S.$400 that are delivered by courier and weigh up to 4 kilograms. Before the introduction of this flat tariff, only international purchases delivered by courier in excess of U.S.$400 and 4 kilograms were subject to tariffs. This flat tariff is intended to encourage local market consumption by discouraging small online purchases made outside the country. The tariff is imposed on courier services for each package that enters the country. Packages shipped through certain state-owned postal services subject to international treaties will be exempt from the tariff. Books for students for educational purposes are also exempt.

The Organic Law for Productive Development, enacted on August 21, 2018, established a reduced income tax rate for capital gains on the sale of shares of stock in a range from 0 to 10%.

In order to alleviate the effects of the COVID-19 crisis on the population and the economic situation resulting from both the health crisis and the decline in international oil prices, the Government, among other tax measures, enacted a 90-day deferral of income tax payments due in April, May and June in the tourism and export sectors and in favor of small producers, and of payroll contributions, and at the same time, in order to increase revenues, increased the withholding tax for banks, state-owned enterprises and other commercial corporations.

Foreign Aid

As of 2012, Ecuador is no longer listed as a country in need of foreign aid based on revenue per capita requirements from the World Bank.

Central Government Expenditures

In 2018, Central Government expenditures totaled U.S.$30,572 million. In 2018, Central Government current expenditure totaled 22,887 million while capital expenditure totaled 6,682 million. In 2019, Central Government expenditures represented U.S.$30,057 million compared to U.S.$30,572 million in 2018. In 2019, while the current expenditure increased by 6.6% from 2018 to U.S.$24,392 million, capital expenditure decreased by 18.4% from 2018 to U.S.$5,619 million.

2019 and 2020 Budgets

On October 31, 2018, the Ministry of Economy and Finance presented the 2019 Draft Budget (the "2019 Draft Budget") to the National Assembly. The 2019 Draft Budget provided for a budget of approximately U.S.$31,319 million, which represented a 2.8% decrease from the 2018 Draft Budget. The 2019 Draft Budget assumed an average crude oil price of U.S.$58.29 per barrel, estimated a GDP rate growth of 1.43% and an average annual inflation rate of 1.07%. The 2019 Draft Budget provided for approximately U.S.$22,361 million in total revenues and U.S.$26,016 million in total expenses, for an expected global deficit of U.S.$3,655 million, representing 3.2% of the GDP. On November 29, 2018, the National Assembly made 17 proposed changes, or recommendations, to the 2019 Draft Budget recommending, among others, maintaining the 2018 budget allocations for several ministries and agencies, including allocations to higher education, health and foreign commerce, that present cuts in the 2019 Draft Budget. On December 10, 2018, the Ministry of Economy and Finance sent the National Assembly a revised 2019 Draft Budget accepting nine of the 17 recommendations and reducing the Draft Budget by U.S.$17 million to U.S.$31,301 million, by, among other changes, adjusting the projected oil price per barrel to U.S.$50.05 and overturning the originally proposed cuts to health and higher education. On December 18, 2018 the National Assembly failed to ratify its objections into law and the 2019 Draft Budget (as sent to the National Assembly on December 10, 2018) became effective (the "2019 Budget"). The 2019 Budget provided for a budget of approximately U.S.$31,301 million. The 2019 Budget provided for approximately 22,362 million in total revenues and U.S.$25,998 million in total expenses, for an expected global deficit of U.S.$3,637 million. The 2019 Budget assumed an average crude oil price of U.S.$50.05 per barrel, estimates a GDP rate growth of 1.43% and an average annual inflation rate of 1.07%.

The 2020 Budget (the "2020 Budget") became effective on December 27, 2019. The 2020 Budget has not been modified and the Republic operates based on the 2020 Budget as it became effective on December 27, 2019.

For more information on the budget process, see "*Public Sector Finances—Overview—Budget Process*." The 2020 Budget provided for a budget of approximately U.S.$35,498 million, and it assumed approximately U.S.$22,516 million in total revenue, which includes expected income from monetization of certain public assets, and approximately U.S.$25,900 million in total expenses, for an expected total deficit of approximately U.S.$3,384 million.

As a result of the COVID-19 crisis and the decline in international oil prices, the Government's projected deficit for the year ending December 31, 2020, has increased to U.S.$9,400 million , for a 175.4% projected increase in the deficit compared to 2019, principally due to a significant decrease in the expected revenue from oil for 2020 from U.S.$3,192 million (not including expected tax revenue on oil-related income and the deficit derivatives financing account, a fund that includes public resources tied to oil revenues, which covers the cost of importing oil derivatives and the local purchase of hydrocarbons and fuel) pre-crisis based on the assumption that the average international price for crude oil for 2020 would be U.S.$51.3 per barrel, to U.S.$499 million as of April 2020, based on a projected average international price of Ecuadorian crude oil of U.S.$30.6 as of the date of the Invitation Memorandum. The 2020 Budget also assumed a GDP rate growth of 0.57%. As of the date of the Invitation Memorandum, the Government projects a GDP rate decrease ranging from 7.3% and 9.6% for 2020 as a result of the COVID-19 crisis and the decline in international oil prices. The Republic's expenditure profile has changed mainly in the categories of capital and investment expenditures as a result of the COVID-19 crisis and the decline in international oil prices. The 2020 Budget assumed approximately U.S.$8,917 million in financing needs. Based on the drastic change in market conditions and policy goals as of the date of the Invitation Memorandum, the Republic's total projected financing needs have increased to U.S.$15,648 million for the year 2020.

Article 118 of the Public Planning and Finance Code grants the Ministry of Economy and Finance the authority to modify any approved budget in an amount of up to 5% of any approved allocation (before July 15, 2020, until the passing into law of the Organic Law for the Regulation of Public Finances, this authority was capped at 15% under the law, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances*" below). From time to time, the Ministry of Economy and Finance revises and adjusts the sources and uses of funds initially provided for in the budget.

PUBLIC DEBT

General

Between October 2016 and October 2018, pursuant to Decree 1218, the consolidated methodology was the legal methodology in Ecuador to calculate the public sector debt to GDP in Ecuador and was in accordance with the IMF methodology, the IMF GFS. However, on October 30, 2018, the repeal of Decree 1218 became effective.

Since April 2018, Ecuador has been using the aggregation methodology to calculate the public debt to GDP ratio. Public sector aggregate debt, including internal and external debt of the financial and non-financial public sector and the external Central Bank debt balance, was U.S.$49,463.4 million as of December 31, 2018, compared to U.S.$46,535.6 million as of December 31, 2017. The ratio of total public sector aggregate debt to GDP increased from 44.6% as of December 31, 2017 to 45.2% as of December 31, 2018.

Public sector aggregate debt, including internal and external debt of the financial and non-financial public sector and the external Central Bank debt balance, was U.S.$51,214.8 million as of March 31, 2019 (the period prior to the implementation of the New Methodology), compared to U.S.$48,931.3 million as of March 31, 2018. This increase in public sector aggregated debt was primarily due to disbursements of existing loans with China Development Bank, the issuance of the 2028 Notes, the GSI Repo Transaction, the CS Repo Transaction, and the issuance of the 2029 Notes, see "*Public Debt—Debt Obligations*."

Beginning with its April 2019 Debt Bulletin, Ecuador began issuing its periodic report on public debt under the New Methodology for calculating the public debt to GDP ratio set forth in the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*" below. In this Appendix, public debt figures starting on April 30, 2019 have been calculated based on the New Methodology.

Public sector aggregate debt, including internal and external debt of the financial and non-financial public sector and the external Central Bank debt balance, was U.S.$58,418.3 million as of May 31, 2020, compared to U.S.$55,718.0 million as of May 31, 2019. This increase in public sector aggregated debt was primarily due to disbursements from multilateral organizations such as the IMF, CAF, IDB, World Bank and the AFD under the financing framework approved by the IMF in 2019, bilateral loans entered into by the Republic with The Export-Import Bank of China and Spain's ICO and the placements of sovereign bonds in the international markets for liability management purposes in the amount of U.S.$1,125 million and the Social Bond in the amount of U.S.$400 million.

The ratio of total public sector aggregate debt to GDP increased from 51.1% as of May 31, 2019, to 60.5% as of May 31, 2020. As of May 31, 2020, interest payments on all debt obligations represented approximately 1.14% of GDP. The Organic Law for Productive Development, which became effective on August 21, 2018, provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply.

On December 20, 2018, the Regulation to the Organic Law for Productive Development became effective amending, among others, article 133 of the Rules to the Public Planning and Finance Code to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the central government in a period of no more than 60 days after the end of each month. These amendments also provide that in establishing the total amount of public debt, the Ministry of Economy and Finance will consider the aggregate public debt to GDP indicator of the entities constituting the public sector. This indicator will be calculated and projected based on the public debt aggregate statements, at least for the final balances, for the following four years. Among other provisions, the regulation provides guidance for calculating the debt to GDP ratio for these purposes, as well as for reducing the balance of the public debt below 40% and for ensuring that the balance of the public debt does not exceed 40% of GDP after it has been reduced, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability."* See "*Risk Factors—Risk Factors relating to Ecuador— The Republic may incur additional debt beyond what investors may have anticipated, which may results in the Republic not being able to comply with its 40% limit under Ecuadorian law in calculating the public debt to GDP ratio, which could materially adversely affect the interests of the holders of the New Securities."* and "*Risk Factors—The Office of the Comptroller General has*

issued a report with conclusions from its audit to the Republic's internal and external debt" in the Invitation Memorandum.

The Organic Law for the Regulation of Public Finances sets out a timetable for the gradual decrease of the public debt by imposing transitional debt to GDP ratio ceilings starting at 57% by 2025 and reducing it to 45% by 2030 and to 40% by 2032, after which the public debt to GDP will be required by law to be kept at or below the legal limit of 40%, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances.*"

During President Moreno's tenure, Ecuador has strengthened ties with Latin American-based multilateral entities, including IDB, CAF, and FLAR, while opening to other multilateral entities such as the IMF. Ecuador continues to collaborate with long-time partners such as China, Spain and Brazil.

Under the 2008 Constitution, the National Assembly has the power to adopt legislation governing the issuance of public debt and to appropriate funds required for debt service. Acting pursuant to this constitutional mandate, the National Assembly approved the Public Planning and Finance Code, which governs the procedures that must be observed in all public debt matters. The Public Planning and Finance Code rules concerning public debt apply to the Ministry of Economy and Finance, which is the only Government institution allowed to contract for the issuance of sovereign debt by the Republic of Ecuador, as well as obligations of the municipalities guaranteed by the Government.

Because all public debt governed by the Public Planning and Finance Code must comply with the public indebtedness policies adopted by the executive branch, the Ministry of Economy and Finance must obtain the approval of the Debt and Finance Committee of the Republic of Ecuador before signing any agreement with respect to sovereign debt including the Notes. See "*Monetary System—Fiscal Policy*." This requirement is established by Article 289 of the 2008 Constitution and Article 139 of the Public Planning and Finance Code. Approval is not required for any obligation that is less than 0.15% of the General State Budget and does not have a sovereign guarantee. Any contract entered into by the Ministry of Economy and Finance that required, but did not obtain the approval of the Debt and Finance Committee is null and void and unenforceable and may give rise to civil and criminal liability for the individuals involved. Approval of the Debt and Finance Committee is evidenced by a signed memorandum signed by each member of the Debt and Finance Committee. Once the Ministry of Economy and Finance obtains approval of the Debt and Finance Committee, it may sign the agreement incurring debt obligations, *provided* that the Attorney General of Ecuador has approved any clauses providing for the application of foreign law and/or arbitration in a foreign jurisdiction. Loan proceeds are disbursed to the Ministry of Economy and Finance, which in turn, transfers such proceeds to the ultimate borrower.

The use of proceeds for public debt is limited by Article 126 of the Public Planning and Finance Code. Under the Public Planning and Finance Code, proceeds of public debt transactions may only be used to: (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the debt obligation and (3) refinance an existing external debt obligation on more favorable terms. The Public Planning and Finance Code prohibits public transactions for the purpose of paying ongoing expenses, with the exception of expenses related to health, education, and justice, under exceptional circumstances as determined by the President.

Although public debt service is the primary responsibility of the entity for whose benefit the loan was received, debt governed by the Public Planning and Finance Code is an obligation of the Government. Accordingly, transfers from the Government to any entity pursuant to the annual budget take into account debt service obligations for the following year.

This external debt process is in place to manage Ecuador's level of debt. The system of authorization through the Constitution and the Debt and Finance Committee, plus the 40% of debt to GDP limit and other provisions from the Public Planning and Finance Code, seek to maintain a stable external debt and have resulted in a low debt to GDP ratio as compared to other countries.

External Debt

The total external debt of the public sector in Ecuador was U.S.$41,492.9 million as of December 31, 2019, compared to U.S.$35,729.7 million as of December 31, 2018, and U.S.$31,749.8 million as of December 31, 2017.

The increase in public sector external debt between December 31, 2017 and December 31, 2019 was primarily the result of the disbursements of loans to develop various major infrastructure projects, mostly related to hydroelectric energy in Ecuador, to promote energy independence and reduce reliance on non-renewable energy sources, and the issuance of the 2020 Notes, the 2022 Notes, the 2026 Notes, the PAM 2019 Notes, the PAM Second Remarketing Notes, the 2023 Notes, the 2027 Notes, the Second 2027 Notes, the 2028 Notes, and the GSI Loan Facility, the GSI Repo Transaction and CS Repo Transaction.

Public external debt as of May 31, 2020, was U.S.$41,564.9 million, an increase from U.S.$39,081.2 million as of May 31, 2019. This increase was primarily due to disbursements from multilateral organizations such as the IMF, CAF, IDB, World Bank and the AFD under the financing framework approved by the IMF in 2019, bilateral loans entered into by the Republic with The Export-Import Bank of China and Spain's ICO and the placements of sovereign bonds in the international markets for liability management purposes in the amount of U.S.$1,125 million and the Social Bond in the amount of U.S.$400 million. As of May 31, 2020, total indebtedness owed to multilateral institutions was U.S.$13,368.5 million. The Republic is current on all its obligations to multilateral institutions. As of May 31, 2020, total indebtedness owed to bilateral sovereign entities was U.S.$6,021.6 million.

The following table sets forth information regarding Ecuador's public sector external debt as of dates indicated. The following table sets forth information regarding Ecuador's public sector external debt as of dates indicated.

Public Sector External Debt

(by debtor, in millions of U.S. dollars at the end of the year, except percentages)

	As of December 31			As of May 31,	
	2017	**2018**	**2019**[(1)]	**2019**[(1)]	**2020**[(1)]
Central Government	28,296	32,464	37,487	34,628	37,887
Public financial and non-financial entities	3,454	3,232	4,006	4,453	3,678
Total	**31,750**	**35,696**	**41,493**	**39,081**	**41,565**
External public debt as a percentage of nominal GDP	31.6%	32.6%	38.0%	35.8%	43.1%

Source: Figures as of May 31, 2020 and May 31, 2019 , from the Ministry of Economy and Finance May 2020 Bulletin. Figures as of May 31, 2019, are from the Ministry of Economy and Finance May 2019 Bulletin. Annual figures as of December 31, 2019, December 31, 2018 and December 31, 2017 from the Ministry of Economy and Finance December 2019, December 2018 and December 2017 Bulletins, respectively.

(1) May 31, 2020 , December 31, 2019 and May 31, 2019 figures have been calculated following the New Methodology. It includes oil presale contracts, the Central Bank's special drawing rights with the IMF and liabilities under intangible contractual rights.

The following table shows the composition of the Republic's external public debt by type of creditor for the periods presented. Provincial governments and municipalities may incur debt through the Ministry of Economy and Finance if they follow certain requirements established by law, and certain provincial and municipal governments have issued external debt, which is included in the table above under the heading of "Public financial and non-financial entities."

Public Sector External Debt by Type of Creditor
(in millions of U.S. dollars)

	As of December 31,			As of May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
Multilateral entities[(1)]	8,488	9,453	12,748	11,361	14,076
Bilateral sovereign entities[(2)]	7,405	6,745	6,483	6,689	6,022
Commercial and Bonds	15,486	19,340	21,565	20,016	20,818
Other[(3)]	372	158	697	1,016	650
Total Public Sector External Debt	**31,750**	**35,696**	**41,493**	**39,081**	**41,565**

Source: The Ministry of Economy and Finance monthly public debt bulletin.
(1) The 2019 and 2020 figures include as part of the Republic's multilateral debt the Central Bank's special drawing rights with the IMF.
(2) The 2019 and 2020 figures include debt with external suppliers, oil presales contracts and liabilities under intangible contractual rights, per the New Methodology. The 2017 and 2018 figures only include debt with external suppliers.

The increase in bilateral debt of the Republic and with public financial and non-financial entities from December 31, 2017, to December 31, 2019 was due mainly to the disbursements of existing loans with China Development Bank, The Export-Import Bank of China and the AFD.

In June 2003, the Republic agreed with its Paris Club creditors to reschedule U.S.$81 million of bilateral debt. Payments due on official development aid loans were rescheduled over a period of 20 years; those on other credits were rescheduled over a period of 18 years. As of the date of the Invitation Memorandum, the Republic is in compliance with all of the terms of its Paris Club loans. Further, in recent years, the Republic has launched successful debt exchanges in Germany, Spain and Italy.

On January 7, 2015, Ecuador entered into a framework agreement for future cooperation with The Export-Import Bank of China. This agreement allows the Ministry of Economy and Finance (f.k.a. the Ministry of Finance) to regularly submit priority lists of projects which it proposes to be financed by The Export-Import Bank of China, within three years of the date of the agreement. The initial priority list included six projects to be financed at a total cost of U.S.$5.3 billion. The rights and obligations of the parties will be stipulated in relevant loan agreements to finance specific projects.

In January 2016, Petroecuador entered into a credit agreement for a facility of up to U.S.$970 million from a consortium of banks led by Industrial and Commercial Bank of China Limited, The Export-Import Bank of China, and China Minsheng Banking Corp., Ltd. The facility relates to a multiparty contractual structure involving a crude oil delivery contract entered into with PetroChina. The credit has a term of five years and is guaranteed by the Republic of Ecuador acting through its Ministry of Economy and Finance. The first tranche of U.S.$820 million was disbursed in February 2016. In November 2017, the parties entered into an amendment agreement to the credit facility agreement. The second tranche of U.S.$150 million was disbursed shortly thereafter.

On December 1, 2016, Petroecuador signed a crude oil sale and purchase contract with PTT International, pursuant to which Petroecuador received initial prepayments of U.S.$600 million shortly after signing for crude oil to be delivered during the five-year term of the contract. On December 6, 2016, Petroecuador signed a fuel oil sale and purchase contract with OTI, pursuant to which Petroecuador received an initial prepayment of U.S.$300 million for fuel oil to be delivered to OTI during the 30-month term of the contract, which has been already fully amortized by Petroecuador. As of October 2019, all deliveries under the contract had been fulfilled. In connection with each contract, the Republic has agreed to refund to the purchasers any amounts of the prepayments and related surcharges for advance payment which are not otherwise satisfied through the delivery of crude oil or fuel oil, respectively, or refunded by Petroecuador in accordance with the contracts.

As of December 31, 2017, the top three bilateral lenders to Ecuador were China, United States, and Spain, with debt levels of U.S.$6,338.9 million (85.6% of the total bilateral debt), U.S.$537.5 million (7.3% of the total bilateral debt) and U.S.$420.2 million (5.7% of the total bilateral debt), respectively.

As of December 31, 2018, the top three bilateral lenders to Ecuador were China, France and Spain, with debt levels of U.S.$5,695.9 million (84.1% of the total bilateral debt), U.S.$348.5 million (5.1% of the total bilateral debt) and U.S.$226.3 million (3.3% of the total bilateral debt), respectively.

As of December 31, 2019, the three main bilateral lenders to Ecuador were China, France and Spain, with debt levels of U.S.$5,238.6 (80.8% of the total bilateral debt), U.S.$549.9 million (8.5% of the debt total bilateral) and U.S.$257.7 million (4.3% of total bilateral debt), respectively. As of December 31, 2019, total indebtedness owed to other governments was U.S.$6,483.1 million.

As of May 31, 2020, the three main bilateral lenders to Ecuador were China, France and Spain, with debt levels of U.S.$4,811.3 million (79.9% of the total bilateral debt), U.S.$548.9 million (9.1% of the debt total bilateral) and U.S.$253.4 million (4.2% of total bilateral debt), respectively. As of May 31, 2020, total indebtedness owed to bilateral sovereign entities was U.S.$6,021.6 million.

Total indebtedness owed to multilateral institutions was U.S.$12,035.3 million as of December 31, 2019, U.S.$9,452.6 million as of December 31, 2018 and U.S.$8,487.6 million as of December 31, 2017.

From 2010 through 2018, Ecuador entered into five separate loan agreements (denominated in U.S. dollars and Chinese Renminbi) with China Development Bank totaling approximately U.S.$7,900 million, which are related to a multi-party contractual structure that involves crude oil delivery contracts entered into with PetroChina and Unipec. Deliveries under these contracts are based upon international spot prices, based on a formula consisting of WTI plus or minus a spread, plus a premium paid due to the term of the contracts. The spread is calculated using (i) a yield table setting forth the contemporary market price of the expected outputs of refining the crude oil delivered, (ii) a factor taking into account shipping costs based on market information, and (iii) the quality of crude oil as measured by the American Petroleum Institute. Under these agreements, Ecuador is required to invest the loaned amounts in specific infrastructure projects or programs in Ecuador. The first loan agreement, signed in 2010, totaling U.S.$1,000 million, was repaid in its entirety, at the end of its original four-year term. The second loan agreement, signed in 2011, totaling approximately U.S.$2,000 million, had an eight-year term and was voluntarily prepaid in its entirety on September 27, 2018. The third loan agreement, signed on December 20, 2012, totaling approximately U.S.$2,000 million, has an eight-year term. The fourth loan agreement, signed on April 29, 2016, totaling approximately U.S.$2,000 million, has an eight-year term. The fifth loan agreement denominated in U.S. dollars and Chinese Renminbi, signed on December 12, 2018, totaling approximately U.S.$900 million, has a six-year term.

On February 2, 2017, the IESS entered into a U.S.$25 million credit agreement with Consorcio NHQ with 50% of the total principal amount due 30 days from the date of execution of the agreement and the remaining 50% of the total principal amount due 24 months from the date of execution of the agreement and will be used to partially finance the construction and equipment of a hospital in the city of Quito. This credit agreement was fully repaid in December 2019.

On February 21, 2017, Ecuador entered into a U.S.$50 million loan with the JBIC with a term of 12 years to finance an energy efficiency project related to residential water heating.

On March 14, 2017, Ecuador entered into a U.S.$200 million loan with the CAF with a term of two years to partially finance projects relating to the generation, distribution and transmission of electricity, of which only U.S.$80 million were ultimately disbursed.

On April 1, 2017, Ecuador entered into a U.S.$75 million loan with AFD with a term of 20 years to finance certain educational projects.

On April 18, 2017, Ecuador entered into a U.S.$60 million loan with the IDB with a term of 25 years to finance the reconstruction of electrical infrastructure in areas affected by the Pedernales Earthquake and the incorporation of seismic resistant infrastructure in the provinces of Esmeraldas, Manabí and Santo Domingo.

On May 22, 2017, the IESS entered into a seven year U.S.$47 million credit agreement with Deutsche Bank, Sociedad Anónima Española, Banco Santander, S.A. and Banco Popular Español, S.A. guaranteed by Ecuador to partially finance the construction and the purchase of equipment for the IESS hospital in the city of Quito.

On August 11, 2017, Ecuador entered into a U.S.$65 million credit facility agreement with the AFD with the principal amount due in semi-annual installments and with the last installment due on December 1, 2036. The

proceeds will be used to finance the reconstruction of housing by CFN or CONAFIPS adding earthquake resistant features and to reactivate the main productive sectors in the Ecuadorian provinces most affected by the Pedernales Earthquake.

On October 20, 2017, the Development Bank of Ecuador entered into an eight year U.S.$200 million facility agreement with China Development Bank guaranteed by Ecuador, acting through its Ministry of Economy and Finance. The first tranche of U.S.$120 million will be used for on-lending by DBE to eligible Ecuadorian state-owned enterprises and government agencies for purposes of financing projects in Ecuador that are approved by China Development Bank. As of January 6, 2020, U.S.$120 million corresponding to the first tranche have been disbursed. The second tranche of U.S.$80 million will be used for on-lending by DBE to eligible Ecuadorian state-owned enterprises and government agencies for purposes of financing payments to be made to suppliers in connection with telecommunications, road construction, transportation and equipment, sewage, potable water and sanitation projects.

On December 20, 2017, the Republic entered into a credit facility agreement with the AFD for an amount of up to U.S.$35 million to finance, in part, housing and reconstruction in Ecuadorian areas affected by the Pedernales Earthquake. The first installment is due and payable on December 1, 2022 and the last installment is due and payable on June 1, 2037.

On December 29, 2017, the Republic entered into a financing agreement with the International Fund for Agricultural Development to finance the Revitalizing Project of Inclusive Alliances in Value Chains with the purpose of improving the income of small producers of cacao, blueberry and cape gooseberry within a designated area. The financing agreement establishes a facility for an amount of U.S.$25.66 million with a repayment term of 18 years and a donation for an amount of U.S.$250,000.

On June 30, 2018, the Republic entered into a financing agreement with the FLAR for an amount of U.S.$368.8 million. This financing facility establishes a repayment term of three years with a year of grace for the payment of principal. The loan was disbursed on July 5, 2018.

On September 7, 2018, the Republic entered into a U.S.$250 million additional loan facility with a final amortization date of May 15, 2040, with the IDB to finance costs related to the construction of a subway system in Quito.

On September 7, 2018, the Republic entered into a U.S.$237.6 million loan facility with a final amortization date of December 15, 2042, with the IDB to finance the phase I of a project to improve quality in the provision of social services.

On September 14, 2018, Ecuador entered into a U.S.$150 million loan with the CAF with a term of 12 years, with a 12-month grace period for the payment of principal, to partially finance projects relating to the generation, distribution and transmission of electricity.

On September 26, 2018, the Republic increased the existing financing agreement with Credit Suisse dated October 27, 2014, for an additional amount of CHF100 million. This financing facility establishes a repayment term of seven years.

On November 28, 2018 the Municipality of the Metropolitan District of Quito and CAF entered into a U.S.$152.2 million loan agreement to partially finance the Quito subway system currently under construction. This loan agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On November 29, 2018, the Municipality of the Metropolitan District of Quito and the IBRD entered into a U.S.$230 million loan agreement, to be repaid by March 15, 2038, to finance the construction of two subway stations as well as other infrastructure and facilities, and the provisioning of equipment and technical and implementation support for line one of the Quito subway system currently under construction. This loan agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On November 29, 2018, the EMAPAG EP and the IBRD entered into a U.S.$233.6 million loan agreement, to be repaid by March 1, 2053, to finance the increase of access to improved sanitation services and to reduce

wastewater pollution in selected areas of Guayaquil. This loan agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On December 11, 2018, the Republic and the IDB entered into a U.S.$100 million loan agreement to be disbursed in two installments in two years, with a final amortization date of October 15, 2038, to finance a program of reforms in Ecuador promoting gender equality and equality for the disabled.

On December 12, 2018, the Republic and CAF entered into an up-to U.S.210 million loan agreement, with a term of 15 years and a 42-month grace period for the payment of the principal, to partially finance programs supporting the management of the Republic's fiscal policy and the sustainability of public finance, among other related goals.

On December 12, 2018, the Republic and the Export-Import Bank of China entered into an up-to RMB485.7 million loan facility agreement, with a 240-month maturity period, a 60-month grace period and a 180-month repayment period, to cover the Republic's financing needs for the construction of infrastructure projects agreed with the joint venture China Road and Bridge Corporation & China National Electronics Import & Export Corporation on November 30, 2017.

On December 12, 2018, the Republic and China Development Bank entered into a U.S.$675 million and RMB1,530 million facility agreement where each loan made under the facility shall be repaid in 16 installments, each payable every three months. On December 28, 2018, an amount of U.S.$450 million was disbursed to the Republic and on January 14, 2019 an additional amount of U.S.$225 million was disbursed to the Republic.

On January 31, 2019, the Republic successfully issued the 2029 Notes. The Republic is current on its financial obligations under the 2029 Notes.

On March 12, 2019, the Republic entered into a U.S.$50 million loan facility with the IDB, with a final amortization date of November 15, 2043, to finance a program aimed at improving the quality of public services for child development in Ecuador.

On March 13, 2019, the Republic received from the IMF an initial disbursement of U.S.$652 million under the IMF's arrangement under the IMF's Extended Fund Facility for Ecuador.

On April 1, 2019, Ecuador entered into a U.S.$192 million loan facility with the CAF, with a term of 18 years and grace period of 66 months, to partially finance projects relating to the maintenance of 1,183.9 kilometers of roads in Ecuador.

On April 10, 2019, the Republic entered into a U.S.$50 million loan facility with the IDB, with a final amortization date of November 15, 2043, to finance a program aimed at increasing private participation in public investments in infrastructure and public services in Ecuador.

On May 24, 2019, the Republic and the CAF entered into a U.S.$300 million loan agreement, with a term of 15 years and a 42-month grace period for the payment of the principal, to finance programs and projects in the logistics sector.

On May 24, 2019, the Republic entered into a U.S.$500 million loan agreement with the IDB with a final amortization date of May 24, 2026 in order to support macroeconomic and fiscal stability, strengthen the institutional framework of the Central Bank, and provide funds for social expenditure for the most vulnerable segments of the population.

On May 28, 2019, the Republic and the CAF entered into a U.S.$100 million loan agreement, with a term of 16 years and a 66-month grace period for the payment of the principal, to partially finance the Environmental Sanitation for Community Development Program.

On May 29, 2019, the Republic reopened its 2023 Notes, issuing an additional U.S.$688,268,000 of notes at a price of 106.597%, also due 2023, for the purpose of a substitution under the Amended August 2018 GSI-Ecuador Repurchase Agreement. See "*GSI Repo Transaction*" below.

On June 17, 2019, the Republic reopened its 2029 Notes and successfully issued an additional U.S.$1,125,000,000 million of notes due 2029 at a price of 110.746%. The Republic applied the proceeds of the reopened 2029 Notes towards the repurchase of U.S.$1,175,370,000 principal amount of its 2020 Notes by means of a tender offer that settled on June 18, 2019.

On June 17, 2019, the Republic and the IBRD entered into a U.S.$500 million loan agreement maturing June 1, 2049, with proceeds used to promote government efficiency, remove barriers to private sector development and provide funds for social expenditure for the most vulnerable segments of the population.

On July 2, 2019, the Republic received from the IMF a second disbursement of U.S.$251 million under the IMF's Extended Fund Facility.

On July 3, 2019, the Republic and the IDB entered into a U.S.$150 million loan agreement maturing November 15, 2042, with the goal of providing support to the Republic's plan to diversify its energy assets.

On July 12, 2019, the Republic and the IDB entered into a U.S.$93.9 million loan agreement maturing June 15, 2044, with the goal of promoting housing to poor and vulnerable communities under the Housing for All Program.

On July 22, 2019, the Republic and the IBRD entered into a U.S.$350 million loan agreement maturing March 15, 2049, with the goal of improving equity, integration and sustainability of social programs and providing technical assistance for capacity building, monitoring and evaluating social programs.

On July 23, 2019, the Republic and the IDB entered into a U.S.$300 million loan agreement maturing April 15, 2039, with the goal of supporting the Government's plan for fiscal stability to facilitate sustainable growth and key contributions to social development.

On July 23, 2019, the EPMAPS EP and the IDB entered into a U.S.$87.1 million loan agreement with disbursements spread over six years with a final principal amortization date of July 23, 2043, with the goal of providing financial support for the maintenance of Quito's sewage and potable water systems. This loan agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On August 6, 2019, the Republic reopened its 2023 Notes and 2026 Notes, issuing an additional U.S.$610,359,000 of its 2023 Notes at a price of 107.291%, and U.S.$611,870,000 of its 2026 Notes at a price of 107.026%, for the purpose of a substitution under the October 2018 CS-Ecuador Repurchase Agreement, see "*CS Repo Transaction*" below.

On August 13, 2019, the CFN and the CAF entered into a U.S.$50 million loan agreement to be repaid in 15 years, with the goal of supporting the *Progresar* program of the CFN which seeks to incentivize the diversification of Ecuador's economy. This loan agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On August 28, 2019, the Republic and the IDB entered into a U.S.$12 million loan agreement maturing May 15, 2044, to support further investment in Ecuador.

On August 29, 2019, the EMAPAG EP and the CAF entered into a U.S.$84 million credit facility agreement maturing July 31, 2039, to support the improvement of sanitation in Guayaquil. This facility agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On September 4, 2019, the Republic and the IDB entered into a U.S.$100 million loan agreement maturing October 15, 2043, with the goal of supporting the modernization and renovation of the Ecuadorian electric system.

On September 9, 2019, the Republic and the IDB entered into a U.S.$40.08 million loan agreement maturing December 15, 2043, with the goal of supporting people with disabilities.

On September 27, 2019, the Republic successfully issued U.S.$600 million of its 2025 Notes with a coupon of 7.875% at 100.000% of the purchase price and U.S.$1,400 million of its 2030 Note with a coupon of 9.500% at 100.000% of the purchase price.

In the fourth quarter of 2019, the Republic has signed the following facility agreements with export credit agencies, official development agencies, and multilateral financial institutions: (1) on October 4, 2019, the Republic and the IDB entered into a U.S.$43 million loan agreement maturing July 15, 2044, with the goal of supporting the Financial Management Modernization Program; (2) on November 4, 2019, the Republic and The Export-Import Bank of China entered into a RMB 390 million concessional loan agreement and a RMB 734 million concessional loan agreement, each with a term of twenty years; (3) on November 18, 2019, the Republic and the IDB entered into a U.S.$75 million loan agreement maturing September 15, 2044, with the goal of supporting the State-owned Enterprise Reform Support Program; (4) on November 18, 2019, the Republic and CAF entered into a U.S.$203 million loan agreement, as amended on November 27, 2019, maturing in 15 years with a 66-month grace period with the goal of supporting Ecuador's Urban Plan and Habitat Policy Program; (5) on November 22, 2019, the Republic and the AFD entered into an U.S.$80 million credit facility agreement maturing on July 31, 2039, with the goal of supporting fully-subsidized social housing and other components of the Housing for All Program which are different to those components of the project that will be financed with the proceeds of the Notes; and (6) on December 10, 2019, the Republic and the AFD entered into a U.S.$150 million credit facility agreement maturing on January 31, 2040, with the goal of supporting policies targeting climate change.

Moreover, in the fourth quarter of 2019, the Republic through its Ministry of Economy and Finance has entered into guarantee agreements for the following loan agreements: (1) the U.S.$40 million loan agreement dated November 29, 2019, between BanEcuador B.P. and CAF, to be repaid in 15 years, to finance small and medium-sized producers of cocoa and palm and the institutional strengthening of BanEcuador; (2) the U.S.$34.12 million loan agreement dated December 20, 2019, between the *Empresa Pública Municipal de Telecomunicaciones, Agua Potable, Alcantarillado y Saneamiento de Cuenca Etapa EP* and CAF, to be repaid in 18 years, to partially finance the Construction Project of the Guangarcucho Wastewater Treatment Plant; (3) the EUR19.0 million loan agreement dated December 23, 2019, between the *Honorable Gobierno Provincial de Tungurahua* (HGPT), Tunguragua, Ecuador and KfW, Frankfurt am Main, to be repaid by December 30, 2049, to finance the investments in the strengthening of irrigation systems as well as other measures for the protection of water resources of the Province of Tungurahua, Ecuador, as well as certain consulting services.

On December 19, 2019, the Republic received from the IMF a disbursement of approximately U.S.$498 million under the IMF's Extended Fund Facility.

On January 28, 2020, the Republic entered into a U.S.$70 million loan agreement with Japan International Cooperation Agency to finance a program for the promotion of the energy matrix transition and sustainable economic development which includes the expansion of access to renewable energy, the stabilization of the energy supply and promotion of measures towards energy efficiency. The repayment of the loan by amortized payments begins on January 10, 2027 and, thereafter, payments are due on each January 10 and July 10 until the final payment date. The final payment date of the loan is on January 10, 2045.

On January 30, 2020, the Republic successfully issued U.S.$400 million of its notes due 2035, with a partial guarantee by the IDB, with a coupon of 7.25% at 100.000% of the purchase price.

On January 30, 2020, the Republic entered into a U.S.$99 million term facility agreement with the Deutsche Bank AG, London Branch to fund certain diverse projects ranging from infrastructure, to social and economic inclusion, tourism and environmental protection. The repayment period begins six months following the date of the agreement and, thereafter, payments are due every three months until the final payment date 36 months after the date of the agreement. The payments are to be made according to the specific amortization schedule contained therein.

On February 24, 2020, the Municipal Autonomous Decentralized Government of the Portoviejo Canton entered into a U.S.$27.5 million loan agreement with the IDB (the "Portoviejo Agreement") to finance the Portoviejo canton program related to drinking water and sewage. The repayment period begins on August 24, 2025 and, thereafter, amortized payments are due on each February 24 and August 24 until the final payment date. The

final payment date is February 24, 2045. The Republic entered into a guaranty agreement on February 24, 2020 pursuant to which the Republic provided a sovereign guaranty for the Portoviejo Agreement.

On April 3, 2020, the Republic entered into a U.S.$300 million amendment to the loan agreement dated June 16, 2015 with the IDB to help minimize the impact that a severe or catastrophic natural disaster could have on the public finances of the Republic. The loan is a contingent loan with the funds being made available to the Republic for 5 years starting from the date of the agreement. If the Republic draws on the commitment, the sum will be amortized across 25 years (the "Final Amortization Date"). The first payment due on the drawn commitment would occur 66 months after the draw-down date with semiannual payments made until the Final Amortization Date.

On April 5, 2020, the Republic entered into a U.S.$20 million loan agreement with the IBRD to finance the Republic's COVID-19 Emergency Response Project. The repayment period begins on September 15, 2031 and, thereafter, principal payments are due on each March 15 and September 15 until the final payment date. The final payment date of the loan is on March 15, 2048.

On May 2, 2020, the IMF Executive Board approved the Republic's request for emergency financial assistance under the IMF's Rapid Financing Instrument for approximately U.S.$643.1 million in order to support the country's balance of payments and its most affected sectors, including the healthcare system and social protection, see "*Public Debt—IMF's Extended Fund Facility and Rapid Financing Instrument*."

On May 5, 2020, the Republic entered into a U.S.$350 million loan agreement with the CAF to mitigate the economic contractions caused by COVID-19 and to finance budget appropriations of the Republic. The repayment period begins on May 5, 2026 with payments being due every six months thereafter until the final payment is made on May 5, 2040.

On May 9, 2020, the Republic entered into U.S.$506 million financing agreement with the IBRD to finance programs related to the inclusive and sustainable growth development policy including (i) responding to the COVID-19 pandemic, (ii) removing barriers to private sector development and supporting economic recovery and (iii) promoting public sector efficiency and fiscal sustainability. The financing consists of a U.S.$500 million loan and a U.S.$6 million concessional contribution. The repayment period begins on November 1, 2031 and, thereafter, principal payments are due on each May 1 and November 1 until the final payment date. The final payment date of the loan is on May 1, 2048.

On June 5, 2020, the Republic entered into a U.S.$250 million loan agreement with the IDB to finance the support for the provision of health and social protection services during the COVID-19 pandemic. The repayment period begins on May 15, 2026 and, thereafter, payments are due each May 15 and November 15 until the final payment date. The payments are to be made according to the specific amortization schedule contained therein. The final payment date of the loan is on May 15, 2045.

On June 10, 2020, the Republic entered into a U.S.$280 million loan agreement with the IDB to support the climate change objectives of the Republic as well as to contribute to the consolidation of the Republic's fiscal and external accounts. The repayment period begins on May 15, 2026 and, thereafter, payments are due each May 15 and November 15 until the final payment date. The payments are to be made according to the specific amortization schedule contained therein. The final payment date of the loan is on May 15, 2040.

The following table lists current material bilateral and multilateral indebtedness by agreement and lender.

Material Public External Debt
(in millions U.S.$)

Creditor	Interest Rate Type	Currency	Date Issued	Maturity	Balance as of May 31, 2020
Multilateral					
IDB	Variable	U.S.$	1971- 2019	2019-2049	5,432
CAF	Variable	U.S.$	2006- 2018	2019-2038	3,829
IMF	Variable	DEG	2019	2031	2,032
FLAR	Variable	U.S.$	2018	2021	205
Others[1]	Fixed, Variable	DEG, U.S.$	1970-2018	2019-2053	1,870
Total Multilateral Debt					**13,368**
Bilateral					
China	Fixed, Variable	RMB, U.S.$	2010-2018	2020-2038	4,811
Brazil	Variable	U.S.$	2012-2013	2022-2023	84
Spain	Fixed	U.S.$	1990-2016	2020-2042	253
France	Fixed, Variable	Euro, U.S.$	1988-2017	2018-2037	549
Italy	Fixed	Euro	1995-2016	2025-2048	12
Japan	Fixed, Variable	Yen, U.S.$	1996-2017	2024-2028	84
Others [2] [3]	Fixed, Variable	DEG, Won, Libra, Chf	1986-2013	2022-2053	229
Total Bilateral Debt					**6,022**
Other Debt [4]					**22,175**
Total External Debt					**41,565**

Source: Ministry of Economy and Finance as of May 31, 2020. Calculation of public sector external debt include oil presale contracts, the Central Bank's special drawing rights with the IMF and liabilities under intangible contractual rights.

(1) Other multilateral loans include loans with the International Bank for Reconstruction and Development and the International Fund for Agriculture Development.
(2) Includes amounts from loans from Paris Club members.
(3) Other bilateral lenders include South Korea, Germany and the United States, among others.
(4) Other debt includes international bonds issued by the Republic and oil presales contracts and liabilities under intangible contractual rights.

The following table shows the rates of interest applicable to the outstanding principal balance of the Republic's public external debt at the dates indicated.

Interest on Public Sector External Debt

	As of December 31, 2018		As of December 31, 2019		As of May 31, 2020[3]	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(in millions of U.S. dollars, except percentages)		(in millions of U.S. dollars, except percentages)		(in millions of U.S. dollars, except percentages)	
Fixed Rate						
0-3%	1,106.7	3.1%	2.296,9	5,5%	3.421,4	8,2%
3-5%	662.6	1.9%	850,9	2,1%	1.844,6	4,4%
5-8%[1]	7,859.4	22.0%	6.984,1	16,8%	10.550,6	25,4%
More than 8%[2]	13,454.1	37.7%	16.118,7	38,9%	12.486,5	30,1%
Floating Rate	12,612.7	35.3%	15.242,3	36,7%	13.261,8	31,9%
Total	**35,695.5**	**100%**	**41.492,9**	**100%**	**41.564,9**	**100%**

Source: Ministry of Economy and Finance.

(1) Reflect the amounts under the 2024 Notes.

(2) Reflects the amounts under the 2015 Notes, 2020 Notes, 2022 Notes, 2026 Notes, 2023 Notes, the 2027 Notes, the Second 2027 Notes, the 2028 Notes, the PAM 2019 Notes, the PAM First Remarketing Notes, the PAM Second Remarketing Notes, the 2030 Notes and the 2029 Notes.

(3) Public sector external debt calculation includes oil presale contracts, the Central Bank's special drawing rights with the IMF and liabilities under intangible contractual rights.

The following table sets forth scheduled debt service for the Republic's total public external debt for the periods presented.

Public Sector External Debt Service Maturity 2020-2030

(in millions of dollars)

For the Year Ending December 31,

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Central Government	**6,177**	**4,155**	**5,943**	**4,842**	**5,840**	**3,892**	**4,444**	**5,894**	**4,767**	**3,354**	**2,227**
Principal	3,653	1,810	3,812	2,962	4,181	2,415	3,050	4,760	4,065	2,927	2,007
Interest	2,524	2,344	2,131	1,880	1,659	1,477	1,394	1,134	702	427	220
Rest of Public Sector	**622**	**488**	**250**	**236**	**215**	**188**	**137**	**119**	**110**	**148**	**184**
Principal	511	402	178	172	160	140	95	81	76	118	157
Interest	111	86	73	64	56	48	42	38	34	31	27
Total Debt Service	**6,798**	**4,643**	**6,194**	**5,078**	**6,055**	**4,080**	**4,581**	**6,013**	**4,877**	**3,503**	**2,410**

Source: Ministry of Economy and Finance.

Internal Debt

The Government's internal debt consists of obligations to both public and private sector entities. As of December 31, 2018, public sector aggregate internal debt was U.S.$13,733.7 million, a decrease from U.S.$14,785.7 million as of December 31, 2017. This decrease was primarily due to the repayment of certain notes upon maturity. As of December 31, 2019, public sector aggregate internal debt was U.S.$15,843.6 million, a 15.4% increase from U.S.$13,733.7 million as of December 31, 2018. This increase was primarily due to the issuance of government bonds to public and private sector entities.

As of May 31, 2020, public sector aggregate internal debt was U.S.$16,853.4 million, a 1.3% increase from U.S.$16,636.7 million as of May 31, 2019. This increase was primarily due to the issuance of government bonds to public and private sector entities.

The following table sets forth the public sector aggregate internal debt for the periods presented.

Public Sector Aggregate Internal Debt
(in millions of U.S. dollars, except percentage)

	As of December 31,			As of May 31,	
	2017	**2018**	**2019**	**2019**	**2020**
Central Government Notes	14,021	12,935	13,147	13,009	13,696
Governmental Entities [(1)]	765	799	2,006	2,020	2,649
Other[(2)]	-	-	691	1,608	1,176
Total[(3)]	**14,786**	**13,734**	**15,844**	**16,637**	**16.853**
Internal public debt as a percentage of nominal GDP[(4)]	14.2%	12.5%	14.5%	15.2%	17.5%

Source: Ministry of Economy and Finance.

(1) Debt of the Government with the IESS and the Ecuadorian Development Bank.
(2) The figures for the years 2019 and 2020 are calculated under the New Methodology and include, outstanding obligations of the Government (accrued but unpaid) to the public and private sectors that were already recorded in the closed budgets of the General State Budget for previous years.
(3) Total public sector internal debt under the aggregation methodology.
(4) Calculated using Central Bank GDP data.

As of May 31, 2020, approximately 14.2% of Ecuador's internal public indebtedness consists of long-term originally issued dollar-denominated notes. Currently, all internal debt obligations are issued through the Ministry of Economy and Finance. As of May 31, 2020, approximately 13.0% of Ecuador's internal public indebtedness consists of debts of the Government with the IESS and the Ecuadorian Development Bank, outstanding obligations of the Government (accrued but unpaid) to the public and private sectors that were already recorded in the closed budgets of the General State Budget for previous years.

As of May 31, 2020, the Ministry of Economy and Finance's obligations with the Central Bank with respect to financial investments through long-term Government bonds amount to U.S.$13,853.4 million.

The last of the Ministry of Economy and Finance's short-term obligations with the Central Bank was only a CETES for an amount of U.S.$11.97 million with maturity on March 23, 2019. As of the date of the Invitation Memorandum, the Republic has no outstanding debts with the Central Bank through CETES.

On May 18, 2017, the Ministry of Economy and Finance transferred assets consisting in shares of financial institutions controlled by the Republic worth U.S.$2,136.55 million in payment of debt incurred with the Central Bank for U.S.$2,121.78 million plus accrued interest for U.S.$14.77 million. As a result, public internal debt decreased by U.S.$2,121.78 million.

On April 24, 2017, the Ministry of Economy and Finance transferred Central Bank Certificates to Petroamazonas' primary vendors and service providers, in exchange for U.S.$150 million of accounts payable with such entities, satisfying Petroamazonas' obligations. Furthermore, on September 4, 2017, the Ministry of Economy and Finance transferred additional Central Bank Certificates to Petroamazonas' primary vendors and service providers, in exchange for U.S.$100 million of accounts payable with such entities, satisfying Petroamazonas' obligations.

The Ministry of Economy and Finance and COSEDE, acting as trustees, temporarily assumed the debts and assets of AGD. They were then permanently transferred to CFN. For further information on these transfers, see "*Monetary System—The Financial Safety Net-Deposit Insurance*." Notes issued by the AGD matured and were fully paid off by the Government in December 2014.

Public Sector Aggregate Internal Debt
(in millions of U.S.$, except percentages)

	As of December 31,						As of May 31,			
	2017		2018		2019		2019		2020	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Short-term notes	–	–	–	–	–	–	–	–	–	–
Long-term notes [1]	14,021	94.8	12,935	94.2	13,147	83.0	13,009	78.2	13,696	81.3
AGD notes [2]	–	–	–	–	–	–	–	–	–	–
CFN notes [3]	–	–	–	–	–	–	–	–	–	–
Total notes	**14,021**	**94.8**	**12,935**	**94.2**	**13,147**	**83.0**	**13,009**	**78.2**	**13,696**	**81.3**
Governmental Entities[4]	**765**	**5.2**	**799**	**5.8**	**2,006**	**12.7**	**2,020**	**12.3**	**1,981**	**11.8**
Other[5]	**-**	**-**	**-**	**-**	**691**	**4.4**	**1,608**	**9.8**	**1,176**	**7.0**
Total internal debt[6]	**14,786**	**100**	**13,734**	**100**	**15,844**	**100**	**16,637**	**100**	**16,853**	**100**

Source: Ministry of Economy and Finance.

(1) Securities placed by Ecuador according to decrees and resolutions issued to finance projects from the state budget and annual investment plan.

(2) Law 98-17 of November 26, 1998, published in Official Gazette No. 78 of December 1, 1998 ("Law 98-17") authorized the issuance of government bonds as part of the resources for the operations of the Deposit Guarantee Agency. These bonds were issued for a term of 15 years, with payment of principal at maturity and annual interest payments at a rate of 12%.

(3) These bonds issued under Law 98-17 as a capital contribution to the National Finance Corporation. The value of these bonds was U.S.$424.9 million. They had 7-year and 11-year terms with semi-annual payments of principal and interest at LIBOR plus 180 days margin.

(4) Debt of the Government with the IESS and the Ecuadorian Development Bank.

(5) The 2019 and 2020 figures, under the New Methodology, include outstanding obligations of the Government (accrued but unpaid) to the public and private sectors that were already recorded in the closed budgets of the General State Budget for previous years.

(6) Total public sector internal debt under the aggregation methodology.

As of May 31, 2020, Ecuador has not issued any short-term debt (*i.e.,* with a maturity equal to or less than one year). Ecuador's medium-term and short-term obligations have generally been issued to finance development projects and to restructure or provide for revenue shortfalls in the Government's budget for a given year. Notes issued for development projects are generally privately held by entities contracted to undertake these development projects. Notes issued for budget restructuring, which generally have a maturity greater than one year, are placed on the Ecuadorian Stock Exchanges, and are currently held by both public and private holders.

Methodology for Calculating the Public Debt to GDP Ratio

On October 25, 2016, pursuant to Article 147, Clause 13 of the 2008 Constitution, former President Correa exercised his presidential authority to issue implementing regulations and signed Decree 1218, which modified Article 135 of the Rules to the Public Planning and Finance Code. Decree 1218 changed to a consolidated basis the methodology that the Ministry of Economy and Finance used to calculate the total public debt to GDP ratio for the purpose of establishing whether the total public debt ceiling of 40% established in Article 124 of the Public Planning and Finance Code had been exceeded. Under Decree 1218, the Ministry of Economy and Finance used the total consolidated public debt methodology set out in the Manual of Public Finance Statistics of the IMF. The IMF GFS, which was published in 2001, provides that the presentation of government financial statistics, including total public debt, should be calculated on a consolidated basis rather than on an aggregate basis. According to the IMF GFS, the consolidation methodology presents statistics for a group of units as if accounting for a single unit. In the context of total public debt, this means that debt that flows between governmental units or entities or between the central government and these governmental units or entities ("intra-governmental debt") is not included in the calculation of total public debt. Decree 1218 did not affect external debt as external debt is owed to entities outside of the Ecuadorian government and is, therefore, not affected by the exclusion of intra-governmental debt. This principle is reaffirmed in the preamble of the Organic Law for Productive Development, approved by the National Assembly on June 21, 2018.

In contrast, the aggregation methodology, which the Ministry of Economy and Finance used prior to Decree 1218, does include intra-governmental debt in the calculation of total public debt. By changing the method of calculating total public debt from an aggregation methodology to a consolidation methodology, Decree 1218 effectively eliminated certain types of debt from the calculation and, by extension, reduced the amount of public debt taken into account for purposes of the 40% public debt to GDP ceiling. Following the enactment of Decree 1218, the Ministry of Economy and Finance has been in communication with the IMF with respect to methodologies

used for measuring public debt. Since the Office of the Comptroller General issued its CGR Audit Report and prior to the publication of the April 2019 Debt Bulletin, the Ministry of Economy and Finance had only been releasing public debt to GDP ratio information applying the aggregation methodology.

On June 21, 2018, the National Assembly approved the Organic Law for Productive Development (submitted by President Moreno), which became effective on August 21, 2018, which provides certainty as to the nature of certain activities as contingent liabilities for purposes of the calculation of the debt to GDP ratio, and provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply. The law also provides for the implementation of a fiscal stability plan by the Ministry of Economy and Finance for the period from 2018 to 2021. The law sets forth that in each subsequent fiscal year after 2021, the General State Budget must be presented with a fiscal program aimed at reducing over time the amount of total public debt relative to GDP, until it reaches a level below the 40% debt to GDP ratio. The new law also mandated that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, to be in accordance with article 123 of the Public Planning and Finance Code (as amended), internationally accepted standards and best practices for the registration and disclosure of public debt.

On November 19, 2018, the Ministry of Economy and Finance issued the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the New Methodology. The New Methodology provides that the calculation of the public debt to GDP ratio is to be based on total public debt as published in the official aggregate financial statements and the latest nominal GDP as published by the Central Bank. The New Methodology defines total public debt as the sum of the public debt incurred by the entities comprising the public sector and adds certain debt instruments to the calculation of public debt that were not previously included, including oil presales. In contrast with the prior methodology for calculating the public debt to GDP ratio, under the New Methodology, (i) the calculation of public external debt also includes oil presales, the Central Bank's special drawing rights with the IMF, and liabilities under intangible contractual rights; and (ii) the calculation of public internal debt also includes outstanding obligations of the Government (accrued but unpaid) to the public and private sectors that were already recorded in the closed budgets of the General State Budget for previous years and debt instruments entered into by entities of the non-financial public sector with the Ecuadorian Development Bank. The April 2019 Debt Bulletin was the first report on public debt issued that followed the New Methodology. The Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology provides that by November 14, 2019, the Ministry of Economy and Finance was required to publish public debt figures calculated using the New Methodology going back to October 2010. Such deadline has not been met due to unexpected delays in gathering and consolidating the data, with the release of these updated public debt figures expected within the weeks following the Invitation Memorandum. Once these past public debt figures are published using the New Methodology, those numbers may vary from the public debt figures presented in this Appendix for the comparable period which were calculated based on the old methodology.

On October 15, 2018, President Moreno issued Decree 537 repealing Decree 1218 in its entirety. On October 30, 2018, Decree 537 was published and the repeal of Decree 1218 became effective. On December 20, 2018, the Regulation to the Organic Law for Productive Development became effective amending, among others, article 133 of the Rules to the Public Planning and Finance Code to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the central government in a period of no more than 60 days after the end of each month. These amendments also provide that in establishing the total amount of public debt, the Ministry of Economy and Finance will consider the aggregate public debt to GDP indicator of the entities constituting the public sector. This indicator will be calculated and projected based on the public debt aggregate statements, at least for the final balances, for the following four years. Among other provisions, the regulation provides guidance for calculating the debt to GDP ratio for these purposes, as well as for reducing the balance of the public debt below 40% and for ensuring that the balance of the public debt does not exceed 40% of GDP after it has been reduced, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability.*"

Following a transition period set forth in the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology, which ended on May 31, 2019, the Ministry of Economy and Finance published its April 2019 Debt Bulletin following the New Methodology, and has continued releasing its public debt bulletins in subsequent months using the New Methodology.

Certain of the total public debt and public debt to GDP ratio information set forth in this Appendix is based on the aggregation methodology and certain of the total public debt and public debt to GDP ratio information is based on the consolidation methodology. The table below sets forth the total aggregate public debt and total aggregate public debt as a percentage of GDP.

Debt to GDP Ratio

(in millions of U.S.$, other than percentages)

	As of December 31,			As of May 31,	
	2017	**2018**	**2019[1]**	**2019[1]**	**2020[1]**
Aggregate Total Debt	46,536	49,463	57,337	55,718	58,418
Aggregate Debt to GDP Ratio[2]	44.6	45.2	52.5	51.1	60.5

Source: Ministry of Economy and Finance.

(1) Under the New Methodology.

(2) Based on the Central Bank's estimate of projected GDP.

Review and Audit by the Office of the Comptroller General

Under the General Comptroller Law, the Office of the Comptroller General has the authority to examine the use of public resources by both public and private institutions. Following the amendment to the 2008 Constitution on December 21, 2015, the Office of the Comptroller General does not have the authority to audit the management of public resources under principles of effectiveness, efficiency and economy (*auditoria de gestión*), but it may still conduct a legality, financial and/or administrative audit. More specifically, according to Article 19 of the General Comptroller Law, the Office of the Comptroller General has the authority to carry out special audits to verify limited aspects of governmental activities under these parameters.

In July 2017, the Office of the Comptroller General headed by Dr. Pablo Celi announced pursuant to *Acuerdo* 024-CG-2017 its intention to conduct a special audit on the legality, sources and uses of all the internal and external debt of the Republic incurred between January 2012 and May 2017, as authorized by Ecuadorian law to examine acts of public entities. The Office of the Comptroller General previously, in 2015 and 2017, audited all of the Republic's internal and external debt borrowed or issued between 2009 and 2015 and found no illegalities in the process of borrowing or issuing debt. The review included, among others, the Ministry of Economy and Finance, the Central Bank and SENPLADES. On January 8, 2018, the Comptroller General announced the creation of a Citizen Oversight Commission composed of Ecuadorian professionals, including former high level public officials such as a former vice president of the Republic, two former Comptrollers General, and a former Minister of Economy and Finance, to observe the procedures and methodology relating to the Republic's incurrence of debt from January 2012 through to May 2017. The Comptroller General indicated that the Citizen Oversight Commission does not replace the Comptroller General in its functions and powers, and that its findings will not be binding; rather it is intended that the participation of the Citizen Oversight Commission will promote transparency.

The Special Audit concluded on April 6, 2018, when the Office of the Comptroller General issued its CGR Audit Report including: (i) conclusions of the Special Audit conducted; and (ii) recommendations regarding actions related to specific contracts or methodologies (according to the law, these recommendations are mandatory for public entities and cannot be challenged). The Special Audit did not result in the annulment of previous acts, or the invalidation of existing contracts, which may only occur with judicial intervention in a proceeding initiated before Ecuadorian courts.

The CGR Audit Report concluded that certain rules that defined the methodology to calculate public debt were replaced with laws and regulations that allowed for discretion in the application and use of certain concepts related to public debt and, specifically, that the amounts of advance payments pursuant to certain commercial agreements providing for the advance payment of a portion of the purchase price of future oil deliveries should have been categorized as public debt and included in the calculation of the public debt to GDP ratio. The CGR Audit Report also concluded that Decree 1218 of 2016 established a methodology for the calculation of public debt in relation to GDP (based on the total consolidated public debt methodology set out in the Manual of Public Finance Statistics of the IMF) which was not consistent with Article 123 of the Public Planning and Finance Code and deviated from the practice of using the aggregation of public debt methodology for the purpose of establishing whether the public debt to GDP ceiling of 40% had been exceeded. Consequently, Decree 1218 allowed the Government to enter into certain debt transactions without obtaining the prior approval of the National Assembly despite the fact that, according to the Office of the Comptroller General, the total public debt to GDP ratio would

have exceeded the 40% limit established in Article 124 of the Public Planning and Finance Code had Decree 1218 not been in place.

The CGR Audit Report also set forth some conclusions and recommendations regarding certain interinstitutional agreements between the Ministry of Economy and Finance and Petroecuador, and found deficiencies in the filing of debt documentation, the implementation of the agreed joint office for the management and monitoring of certain credit agreements between the Ministry of Economy and Finance and China Development Bank, and the confidential nature of certain finance documents relating to public debt.

On April 9, 2018, during the presentation of the CGR Audit Report to the public, the Office of the Comptroller General announced that the Special Audit resulted in indications of: (i) administrative liability of certain public officials, which may lead to the dismissal of those officials, (ii) civil liability of certain current or former public officials, which may lead to fines if those officials acted in breach of their duties, and (iii) criminal liability of certain former or current public officials. Civil and administrative indications of liability are reviewed by the Office of the Comptroller General. If the Office of the Comptroller General finds that such former or current officials acted in breach of their duties, it could issue a resolution determining civil and/or administrative liability. A final resolution from the Office of the Comptroller General can be appealed to the district administrative courts.

In April 2018, the Office of the Comptroller General delivered to the Office of the Prosecutor General a report regarding the indications of criminal liability of certain former or current public officials. Based on that report, the Office of the Prosecutor General initiated a preliminary criminal investigation against former President Correa, three former Ministers of Finance and other seven former or current public officials of the Ministry of Economy and Finance. Once the preliminary investigation is completed, the Office of the Prosecutor General may request the competent judge to hold an indictment hearing with respect to any of the officials currently under investigation. If a judge determines that there are grounds for an indictment, a 90-day period will commence in which the Office of the Prosecutor General will conclude its investigation and issue a final report. The final report will be presented before the criminal court but the alleged offenders will not be found guilty unless, after trial, the offenders are found to be criminally liable.

The CGR Audit Report recommended that, in order to reconcile amounts comprising public debt, the Public Planning and Finance Code should be amended and Decree 1218 should be repealed with respect to the calculation of the total public debt to GDP ratio to ascertain the actual value of total public debt and determine if that amount exceeded the 40% debt to GDP ratio set out in Article 124 of the Public Planning and Finance Code. Following these recommendations, on June 21, 2018, the National Assembly passed the Organic Law for Productive Development which became effective on August 21, 2018, which expressly confirms that certain activities and instruments are considered a contingent liability, and therefore are not included in the calculation of the total public debt to GDP ratio, and provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply. The law also provides for the implementation of a fiscal stability plan by the Ministry of Economy and Finance for the period from 2018 to 2021 and sets forth that, in each subsequent fiscal year after the period from 2018 to 2021, the General State Budget must be presented with a fiscal program aimed at reducing over time the amount of total public debt relative to GDP, until it reaches a level below the 40% debt to GDP ratio. The law also mandated that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, to be in accordance with article 123 of the Public Planning and Finance Code (as amended), internationally accepted standards and best practices for the registration and disclosure of public debt, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability.*"

On October 15, 2018, President Moreno issued Decree 537 repealing Decree 1218 in its entirety, which became effective on October 30, 2018, see "*—Methodology for Calculating the Public Debt to GDP Ratio*" above.

On November 19, 2018, the Ministry of Economy and Finance issued the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the New Methodology, see "*—Methodology for Calculating the Public Debt to GDP Ratio*" above.

On December 20, 2018, the Regulation to the Organic Law for Productive Development became effective amending, among others, article 133 of the Rules to the Public Planning and Finance Code to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public

debt for the public sector, the non-financial public sector and the central government in a period of no more than 60 days after the end of each month, see "*—Organic Law for Productive Development, Investment, Employment and Fiscal Stability,*" below.

The Special Audit has resulted in additional audits, including an examination finalized in July 2018, regarding the issuance, placement and payment of CETES by the Republic; an examination finalized in April 2019, regarding the contracts with service providers (including lawyers, banks, financial agents and other firms) involved in public debt transactions, covering the period between January 1, 2012 and December 31, 2017; an examination finalized in April 2019, regarding the Republic's use of shares of public banks to pay the Central Bank of Ecuador, covering the period between January 1, 2016 and December 31, 2017; an examination finalized in May 2019, regarding the entry, registration and use of funds from oil presale contracts, covering the period between January 1, 2012 and December 31, 2017; and a follow-up examination finalized in May 2019, regarding the application of the recommendations under the CGR Audit Report, covering the period between April 6, 2018 and October 31, 2018, see "*Public Debt—GSI Loan Facility.*"

The special examination of the process of issuance, placement and payment of CETES by the Republic between January 1, 2016 and December 31, 2017 concluded with the CGR CETES Report. The CGR CETES Report concluded that: (i) CETES were renewed and placed for periods longer than the 360-day period allowed by the Public Planning and Financing Code; (ii) CETES were delivered as payment instruments to pay debts, contrary to their purpose of being used to obtain resources to finance deficiencies in the fiscal accounts; and (iii) CETES were delivered to the Central Bank of Ecuador in exchange for other internal debt instruments already due, contrary to the nature of the CETES of being used to obtain resources to finance deficiencies in the fiscal accounts. In the CGR CETES Report, the Office of the Comptroller General recommended partially repealing Decree 1218 so that short-term securities with a term of "less than 360 days" are excluded from the calculation of total public debt, instead of short-term securities with a term of "up to 360 days" as it was set forth in Decree 1218. Decree 537 repealed Decree 1218 on October 30, 2018, see "*Public Debt— Methodology for Calculating the Public Debt to GDP Ratio.*"

Any series of notes issued by the Republic (including the Notes) and any other financing transactions could in the future be subject to the review of the Office of the Comptroller General within its powers granted by Ecuadorian law to examine acts of public entities.

The Office of the Comptroller General had previously conducted audits, in 2015 and 2017, of all internal and external debt issued between 2009 and 2015 without finding any illegalities in the process of borrowing or issuing debt. For a description of the risks of any action by the Government in relation to the 40% public debt to GDP ceiling and related accounting methodologies, see "*Risk Factors—Risk Factors relating to Ecuador— The Republic may incur additional debt beyond what investors may have anticipated, which may result in the Republic not being able to comply with its 40% limit under Ecuadorian law in calculating the public debt to GDP ratio, which could materially adversely affect the interests of the holders of the New Securities.*" and "*Risk Factors—— The Office of the Comptroller General has issued a report with conclusions from its audit to the Republic's internal and external debt*" in the Invitation Memorandum.

Organic Law for Productive Development, Investment, Employment and Fiscal Stability

On June 21, 2018, the National Assembly passed the Organic Law for Productive Development which became effective on August 21, 2018. In addition to the reforms described under section "*The Ecuadorian Economy–Economic and Social Policies–Organic Law for Productive Development*," the Organic Law for Productive Development amends certain provisions of the Public Planning and Finance Code as recommended by the Office of the Comptroller General in its CGR Audit Report, in order to reconcile amounts comprising public debt in application of Article 123 of the Public Planning and Finance Code, for purposes of being able to ascertain the actual value of total public debt and determine if the latter has surpassed the legal limit of 40% debt to GDP set out in Article 124 of the Public Planning and Finance Code. In addition, the Organic Law for Productive Development added provisions that establish a temporary regime for public debt operations for purposes of reducing the debt to GDP ratio.

In particular, the Organic Law for Productive Development reforms Article 123 of the Public Planning and Finance Code by expressly confirming that a contingent liability may originate when:

- the Central Government issues sovereign guarantees for the benefit of public sector entities that enter into public debt, together with all provisions made for their payment;

- notes linked to duly documented payment obligations are issued;

- guarantee agreements to secure the proper use of non-reimbursable contributions received by any applicable entity are entered into; and

- the public sector incurs contingent liabilities in accordance with applicable law, or other liabilities are incurred within the context of agreements with international credit agencies.

The above provides legal certainty as to which transactions should not be included within the calculation of the debt to GDP ratio as, pursuant to Article 123 of the Public Planning and Finance Code, contingent liabilities should only be considered public debt, and included in the calculation of total public debt to GDP ratio, in such amount and to the extent the obligation is due and payable.

The Organic Law for Productive Development provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply. The law also provides for the implementation of a fiscal stability plan by the Ministry of Economy and Finance for the period from 2018 to 2021. The law sets forth that in each subsequent fiscal year after 2021, the General State Budget must be presented with a fiscal program aimed at reducing in the long term the amount of total public debt relative to GDP, until it reaches a level below the 40% debt to GDP ratio. The new law also mandated that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, to be in accordance with article 123 of the Public Planning and Finance Code (as amended), internationally accepted standards and best practices for the registration and disclosure of public debt. On October 15, 2018, President Moreno issued Decree 537 repealing Decree 1218 in its entirety, which became effective on October 30, 2018, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*."

On November 19, 2018, the Ministry of Economy and Finance issued the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the New Methodology, see "*—Methodology for Calculating the Public Debt to GDP Ratio*" above.

On December 18, 2018, by executive decree No. 617, President Moreno issued the Regulation to the Organic Law for Productive Development supplementing the Organic Law for Productive Development, which became effective on December 20, 2018. The Regulation to the Organic Law for Productive Development, among others, creates the procedures to implement and simplify the tax benefits that the Organic Law for Productive Development created for new investments and entrepreneurship; clarifies different concepts used in the Organic Law for Productive Development such as the concept of 'new investment;' creates the framework under which the VAT and exit tax returns on exports and other tax incentives will be carried out; closes any loopholes on the elimination of the excise tax; and creates the procedures to oversee compliance with fiscal rules with the goal of achieving sustainability of public finances.

The Regulation to the Organic Law for Productive Development also amends the Rules to the Public Planning and Finance Code to include a new section on fiscal rules and to amend certain articles. Article 133 of the Rules to the Public Planning and Finance Code is amended to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the central government in a period of no more than 60 days after the end of each month. These amendments also provide that in establishing the total amount of public debt, the Ministry of Economy and Finance will consider the aggregate public debt to GDP indicator of the entities constituting the public sector. This indicator will be calculated and projected based on the public debt aggregate statements, at least for the final balances, for the following four years. Among other provisions, the regulation provides guidance for calculating the debt to GDP ratio for these purposes, as well as for reducing the balance of the public debt below 40% and for ensuring that the balance of the public debt does not exceed 40% of GDP after it has been reduced.

Organic Law for the Regulation of Public Finances

On May 16, 2020, the National Assembly approved the *Proyecto de Ley Orgánica para el Ordenamiento de las Finanzas Públicas* ("Bill of the Organic Law for the Regulation of Public Finances"). After a partial veto and certain revisions to the bill made by President Moreno, the Organic Law for the Regulation of Public Finances became effective on July 15, 2020, as revised by the president.

The Organic Law for the Regulation of Public Finances has two sections and a transitional provision. Section I is limited to amendments to the Public Planning and Finance Code and includes 45 articles, and Section II is limited to a single article amending a provision of the Organic Law of Spatial Planning and applicable ordinances. This law aims to improve the administration of public finances. It focuses on budgetary ceilings, the predictability of public spending, establishment of new treasury securities and new tax rules.

In addition, the Organic Law for the Regulation of Public Finances amends article 123 of the Public Planning and Finance Code, to:

- Exclude certain transactions and instruments from the definition of public debt including contractual rights linked to ordinary operations that do not require a sovereign guarantee and any security or treasury note with a term of less than 360 days, among others.

- Clarify the definition of public debt by tying it to obligations held by entities from the public sector which must be returned to lender.

- Include debts contracted by IESS, ISSFA or ISSPOL in the definition of public debt.

- Assign during the budgeting process the resources available from the public debt to the projects and programs that meet the established requirements.

The Organic Law for the Regulation of Public Finances also sets out a timetable for the gradual decrease of the public debt by imposing transitional debt to GDP ratio ceilings starting at 57% by 2025 and reducing it to 45% by 2030 and to 40% by 2032, after which the public debt to GDP will be required by law to be kept at or below the legal limit of 40%, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances.*"

For more information on the amendments to the Public Planning and Finance Code by the Organic Law for the Regulation of Public Finances, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances*."

IMF's Extended Fund Facility and Rapid Financing Instrument

On March 1, 2019, Ecuador's Minister of Economy and Finance and the General Manager of the Central Bank of Ecuador presented the IMF with the Letter of Intent, including a Memorandum of Economic and Financial Policies and a Technical Memorandum of Understanding, outlining Ecuador's economic outlook and economic goals in connection with the request for a three-year extended arrangement under the IMF's Extended Fund Facility to support the Plan of Prosperity. In the Letter of Intent, the Minister and the General Manager highlighted the four pillars of the country's current social and macroeconomic plan: (1) reconstruction and strengthening of the institutional foundations of dollarization, (2) employment and growth generation through increased competitiveness, (3) increasing equality of opportunities and protection of the poor and most vulnerable segments of the population, and (4) guaranteeing a climate of transparency and good governance.

The Memorandum of Economic and Financial Policies attached to the Letter of Intent outlined the Government's policy plans for the subsequent three years. Among other measures, the Government intended to:

- continue reducing the public debt to GDP ratio to, over time, bring it below 40%, with a fiscal plan designed to minimize the impact on the real economy and the quality of life of the population;

- continue reducing the non-petroleum deficit for the public non-financial sector including fuel subsidies by 5% of GDP for the next three years;

- strengthen the conduct of the fiscal policies framework by, among others, complementing the expenditure growth rule with binding annual targets for the non-oil primary balance, and reviewing the applicable laws and corresponding regulations to ensure that public debt is comprehensively defined and, for statistical purposes, is measured on a consolidated basis in line with international standards;

- strengthen the Ecuadorian system of data disclosure by the provision and monitoring at all stages of the budget cycle as well as instituting clear and automatic enforcement mechanisms and effective sanctions for non-adherence to the law;

- reform the Public Planning and Finance Code in order to strengthen the role of the Ministry of Economy and Finance as the authority charged with fiscal supervision, ensure that annual budgets follow international best practice standards in their preparation and include binding limitations on spending;

- not enter into new government international borrowing arrangements that are based on repurchase agreements or the pledging of Central Bank assets;

- perform a full review of the Central Bank's legal framework to ensure more operational autonomy for the Central Bank, to implement the changes recently introduced by the regulation of the Monetary Board of the Central Bank that forbid all quasi-fiscal activities by the Central Bank as well as direct or indirect lending by the Central Bank to the Government or the public sector;

- gradually increase the country's international reserves to back all private and public financial institutions kept in the Central Bank and all notes and coins in circulation;

- foster the international competitiveness of the economy by (i) implementing a reform of the current tax system to simplify it, increase its tax base, eliminate unjustified tax exemptions and special tax regimes, refocus it towards more indirect taxes over direct ones, and gradually eliminate taxes based on business volumes and capital outflows, (ii) submitting to the National Assembly an Entrepreneurial Bill eliminating obstacles to business formation and operation and providing a strong legal framework for new businesses, (iii) submitting a labor reform to the National Assembly creating the institutional framework to promote public-private partnerships, (iv) reviewing the legal framework of the country's capital markets, and (v) expanding Ecuador's efforts to enter into trade agreements with new regional and non-regional key players;

- significantly increase social expenditure by expanding coverage and benefits provided by the Human Development Bond through new international partnerships; increasing expenditure for people with disabilities; increasing coverage of the country's pension plans; and updating and improving the social registry system;

- take other measures that will help improve the business climate, lower the cost of public financing, and support private investment and job creation including, among others, the submission to the National Assembly of an anti-corruption law that will enhance the independence and power of law enforcement agencies and the judiciary and strengthen national and international coordination to fight corruption; and

- present the Central Bank's financial statements for 2019 by following IFRS and commit to making this the standard starting in 2021.

On March 11, 2019, the executive board of the IMF approved the U.S.$4,200 million arrangement under the IMF's Extended Fund Facility for Ecuador, enabling the disbursement of U.S.$652 million. The arrangement provided for an approximate 3% interest rate and a ten-year repayment plan (with a four-year grace period). According to the IMF's press release of March 11, 2019, “the Ecuadorian authorities are implementing a

comprehensive reform program aimed at modernizing the economy and paving the way for strong, sustained, and equitable growth. The authorities' measures are geared towards strengthening the fiscal position and improving competitiveness and by so doing help lessen vulnerabilities, put dollarization on a stronger footing, and, over time, encourage growth and job creation."

On March 11, 2019, the executive board of the IMF also concluded its Article IV consultation with Ecuador, and the IMF published its Article IV staff report.

On April 30, 2019, in line with the Letter of Intent, the Ministry of Economy and Finance published the Action Plan for the Strengthening of Public Finances with 17 proposals aimed at strengthening fiscal and budgetary rules and planning, and improving sustainability in the operations of the National Treasury. Among the proposals, the Ministry of Economy and Finance committed to send the President a draft bill modifying certain provisions of the Public Planning and Finance Code to further limit the Executive's discretion to outspend the national budget from 15% to 5% in order to increase credibility over each year's set fiscal goals; to substitute the CETES with a new short-term instrument that guarantees its use within the budgetary year of issuance and placement; and to include a chapter in the Public Planning and Finance Code with a functional outline of the fiscal rules to increase transparency. For more information on certain amendments to the Public Planning and Finance Code that have been implemented by the Organic Law for the Regulation of Public Finances, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances.*"

The initial disbursement of U.S.$652 million under the IMF's arrangement was made on March 13, 2019. Under the terms of the IMF's Extended Fund Facility program, further disbursements to the Republic are conditioned on the Government's implementation of its policy plans as outlined in the Letter of Intent, the implementation of which the IMF monitors and reviews every three months on the basis of certain performance criteria, targets and benchmarks, including fiscal and monetary targets.

On May 30, 2019, the IMF announced it had reached a staff-level agreement with the Republic on the completion of the first review under the Extended Fund Facility arrangement. In their announcement, the IMF mission concluded that "Ecuador has made considerable progress in implementing its program aligned with the Prosperity Plan." Based on their preliminary findings, the IMF mission prepared and presented a report to the IMF's Executive Board. On June 28, 2019, the IMF's Executive Board completed their first review of Ecuador's economic performance under Ecuador's arrangement with the IMF under the Extended Fund Facility, which allowed Ecuador to draw U.S.$251 million from the facility on July 2, 2019.

On October 18, 2019, President Moreno presented before the National Assembly the draft Law on Economic Development, aimed at reforming several of the Republic's tax and financial laws. On November 17, 2019, the National Assembly voted to reject the draft Law on Economic Development. In response, on November 21, 2019, President Moreno presented the draft Organic Law on Tax Simplification, replacing the draft Law on Economic Development with respect to certain aspects of the intended tax reform. The Organic Law on Tax Simplification was first approved by the National Assembly on December 9, 2019, and after a Presidential partial veto, it was finally approved on December 30, 2019, and became effective on December 31, 2019 (for more information on the rejection of the draft Law on Economic Development and the subsequent approval of the Organic Law on Tax Simplification, see "*The Republic of Ecuador—Measures by President Moreno*").

On December 11, 2019, Ecuador's Minister of Economy and Finance and the General Manager of the Central Bank of Ecuador presented the IMF with a letter of intent, including the Updated Memorandum of Economic and Financial Policies, requesting (i) completion of the second and third review of the arrangement under the IMF's Extended Fund Facility and the disbursement of the associated amount of approximately U.S.$498.0 million for budget support, and (ii) a waiver of nonobservance of the performance criteria on net international reserves given that the macroeconomic impact of the breach was minor, as well as certain modifications to program requirements reflected therein.

The Updated Memorandum of Economic and Financial Policies outlines the Government's policy plans for the subsequent two years. According to the Updated Memorandum of Economic and Financial Policies, failure to implement the economic and financial policies agreed with the IMF would have delayed or prevent future disbursements. The Updated Memorandum of Economic and Financial Policies was an updated version of the

Memorandum attached to the Letter of Intent dated March 1, 2019, and outlines the same policy plans with certain updates. Among such updates, the Updated Memorandum of Economic and Financial Policies provided that:

- The Government commits to reducing the non-financial public sector non-oil primary deficit including fuel subsidies, by approximately 3.9% of GDP during 2019-2021.

- In light of the rejection of the draft Law on Economic Development, the Government intends to submit to the National Assembly by the end of February 2020, the revised amendments to the Public Planning and Finance Code. The amendments intend to ensure that the role of the Minister of Economy and Finance as the fiscal oversight authority is strengthened; that annual budgets are prepared in line with best international practices; that the fiscal rules framework is further strengthened, including escape clauses, automatic correction mechanisms, and in-year fiscal reporting; that government discretion to amend approved budgets is limited and a robust framework for contingency allocation is introduced; that budget execution is kept in check by comprehensive, timely, and proper government accounting and reporting, including a comprehensive definition of public debt, as well as the adoption of better cash management practices and commitment controls.

- In light of the rejection of the draft Law on Economic Development, the Government intends to resubmit to the National Assembly by April 2020 after consultation with various stakeholders and building consensus, a revised version of the amendments to the Organic Monetary and Financial Law that were incorporated as part of the draft Law on Economic Development and which aimed to ensure that the Central Bank had clear objectives and limited functions, designed to fully support the dollarization regime, and encompassed measures to strengthen the Central Bank's autonomy including in terms of its budget, improve the Central Bank's governance by establishing a board with fiduciary responsibilities to the Central Bank, and build a strong internal and external audit function; such amendments prohibited all direct and indirect lending by the Central Bank to the government or the public sector, while remaining able to provide temporary liquidity support to public banks, if needed for prudential purposes.

- The Government is preparing a new law for state-owned enterprises, which seeks to improve efficiency, increase transparency, and strengthen governance of the state-owned enterprises.

On December 19, 2019, the IMF's Executive Board concluded its combined second and third reviews of the Government's economic program supported under the Extended Fund Facility. In these reviews, the IMF reported that the end-September benchmark under the arrangement with the IMF concerning the submission by the Republic of amendments to the Organic Monetary and Financial Law fell short of being fully implemented since the draft law submitted did not incorporate the double veto procedure for the appointment and dismissal of members of the Central Bank board, though it contained other important provisions that would strengthen the institutional foundations of the Central Bank. Other structural benchmarks for the second and third reviews were either met or implemented with a slight delay. Given the rejection of the draft Law on Economic Development, new program conditionalities were accepted by the IMF to allow the authorities more time to reach consensus and complete these structural reforms. In particular, the submission of certain amendments to the Public Planning and Finance Code consistent with program commitments were accepted as a structural benchmark for the fourth review and that of the revised Organic Monetary and Financial Law amendments as a structural benchmark for the fifth review. The IMF granted the Republic's request to modify the end-December 2019 targets on the non-oil primary balance including fuel subsidies to partially accommodate the shortfall due to the delay in asset monetization, on net international reserves due to a higher deficit and financing shortfalls, and on social assistance spending due to the postponement of one of the programs to 2020. After the IMF staff's recommendations to the IMF's Executive Board for completion of the second and third reviews, and support for the Republic's requests of waivers for nonobservance of certain targets, on December 19, 2019, the IMF's Executive Board approved the disbursement to the Republic of approximately U.S.$498 million.

On April 30, 2020, Ecuador's Minister of Economy and Finance and the General Manager of the Central Bank of Ecuador presented the IMF with a letter of intent (i) describing the unprecedented and negative economic and social effects that the COVID-19 pandemic has caused in Ecuador; (ii) explaining some of the actions taken and some additional policy actions that Ecuador has undertaken or commit to undertake, (iii) reiterating that Ecuador will comply with the provisions of the IMF's Articles of Agreement, (iv) notifying the IMF that the Extended Fund

Facility approved on March 11, 2019 is cancelled with immediate effect; and (v) requesting urgent financial assistance under the IMF's Rapid Financing Instrument ("RFI") with the aim of addressing urgent balance of payments and fiscal needs. Generally, financings under an RFI are aimed at helping member countries address urgent balance of payments needs. The letter of intent also provides the commitment of the Ministry of Economy and Finance of the Central Bank of Ecuador to update their Memorandum of Understanding signed in March 2019, which clarifies the responsibilities for timely servicing of the financial obligations to the IMF.

Following this request, the IMF staff assessed the Republic's qualification requirements, worked with the authorities and prepared a staff report for the IMF's Executive Board. On May 2, 2020, the IMF Executive Board approved Ecuador's request for emergency financial assistance under the RFI for approximately U.S.$ 643.1 million in order to support the country's balance of payments and its most affected sectors, including the healthcare system and social protection; recognizing that Ecuador's authorities have taken decisive actions to contain the spread of the virus and mitigate the socio-economic impact of the health crisis on households and firms, while prioritizing efforts to protect the poor and vulnerable.

Currently, the Government is working with the IMF staff to define the structure of a new potential successor program, with the aim of bolstering the Republic's economic performance, strengthening the foundations of dollarization, and delivering broad based benefits for the population, with a special emphasis on the most vulnerable sectors. As of the date of this Appendix, the Government has made progress in the negotiations to have a staff level agreement by the Settlement Date (as defined in the Invitation Memorandum).

Disbursements under the other staff-level agreements with multilateral agencies and development banks are also subject to the approval of each organization's executive board. Under these agreements, in May 2019, the Republic entered into two loans with the CAF for U.S.$300 million and U.S.$100 million, respectively; on May 24, 2019, July 3, 2019, July 12, 2019 and July 23, 2019, the Republic entered into four loans with the IDB for U.S.$500 million, U.S.$150 million, U.S.$93.9 million and U.S.$300 million, respectively; and on June 17, 2019 and July 22, 2019, the Republic entered into two loans with the IBRD for U.S.$500 million and U.S.$350 million, respectively.

Pursuant to two consent solicitations announced on April 8, 2020 (one of the consent solicitations pertaining to the notes due 2024 and the other to the rest of the Ecuador Bonds), the notes due 2024 and the Ecuador Bonds, and their respective indentures, were amended on April 14, 2020, for the deferral until August 15, 2020 (or August 10, 2020 if a new successor IMF supported program was not publicly announced by the IMF and Ecuador by that date), of a total of U.S.$651 million of interest payments due under the Ecuador Bonds between March 27, 2020 and July 15, 2020, see "*Public Debt—Debt Obligations—The April 2020 Consent Solicitations to Bondholders."* The IMF Condition is also a condition precedent to the effectiveness of the Invitation, see "*Invitation Memorandum—Terms of the Invitation—Conditions to the Invitation and the Proposed Modifications*."

Statistical Deficiencies

As part of the commitment to transparency of the Ecuadorian authorities and close monitoring of the program, on May 2, 2020, the IMF revealed that it had observed certain shortcomings in the compilation of the Republic's fiscal statistics which contributed to incorrect estimates of the fiscal deficit for years going as far as 2012. Specifically, the revised data indicated a nonobservance of the performance criterion on the non-oil primary balance including fuel subsidies of the non-financial public sector at the end of September 2019 by a margin of U.S.$431 million. The discrepancy resulted in a breach of obligations under Article VIII, Section 5 of the IMF Articles of Agreement. The IMF observed that these statistical deficiencies were unintentional and were found primarily in the data provided by entities outside the central government of the Republic. The IMF concluded that the statistical revision only modestly impacted public debt, that gross debt of the non-financial public sector remained broadly unchanged, and that the occurrence of the statistical deficiencies reflected in part an extended lack of engagement between the Republic and the IMF in the past.

Some of the remedial actions taken by the Government in response to this revelation included (i) strengthening of the institutional arrangement to collect and process fiscal data, with clear assignments of responsibilities and line of accountability for each party involved, (ii) submitting to the National Assembly draft amendments to the Public Planning and Finance Code, geared towards improving the data provision, and (iii) enhancing information sharing among government agencies, including for consistency checks. The Government also reaffirmed their commitment to continuously adopt international best practices towards fiscal data transparency.

Following the IMF's review of the Republic's remedial actions, on May 2, 2020, Ms. Kristalina Georgieva, IMF managing director and chair, stated that "In view of the strong and proactive commitment by Ecuador to provide timely and accurate data to the IMF in the future, the Executive Board decided not to require further remedial action in connection with the breach of obligations under Article VIII, Section 5. As the authorities have taken substantive and appropriate corrective measures since the purchase in December 2019, the Executive Board also granted a waiver for the nonobservance of the quantitative performance criterion."

Debt Obligations

Brady Bonds and Eurobonds

In May 1994, the Government reached an agreement with its commercial bank creditors to restructure the Republic's medium-term and long-term commercial bank debt (the "Brady Plan"). The Brady Plan offered creditors the opportunity to exchange existing principal for either: (i) 30-year notes of the same face amount (the "Par Notes"), with interest initially fixed at 3% incrementally increased over the first ten years up to a rate of 5% or (ii) 30-year notes with a face amount equal to 55% of the face value of the debt exchanged (the "Discount Notes" together with the Par Notes, the "Brady Bonds") and bearing interest at the London Interbank Offered Rate ("LIBOR") plus 13-16%. The principal of Par Notes and Discount Notes was fully collateralized by 30-year U.S. Treasury notes and interest on those Notes was collateralized on a 12-month rolling basis. The Brady Plan also offered creditors the opportunity to exchange accrued and unpaid interest for two instruments: (i) 20-year notes bearing interest at LIBOR plus 13-16% (the "PDI Notes") and (ii) ten-year notes bearing-interest at LIBOR plus 13-16% and representing certain accrued and unpaid overdue interest under the Consolidation Agreement (the "IE Notes").

On December 21, 1994, the Republic issued U.S.$191.0 million of IE Notes. On February 28, 1995, the Republic issued U.S.$1.9 billion, U.S.$1.4 billion and U.S.$2.4 billion of Par Notes, Discount Notes and PDI Notes, respectively. The Republic also agreed to make certain additional cash payments in respect of overdue interest.

On April 25, 1997, the Republic issued U.S.$350 million of its 11.25% Fixed Rate Eurobonds due 2002 and U.S.$150 million of its Floating Rate Eurobonds due 2004 (together, the "Eurobonds"). In late 1999 and early 2000, the Republic defaulted on its Par Bonds, Discount Bonds, 11.25% Fixed Rate Eurobonds due 2002, Floating Rate Eurobonds due 2004, IE Notes and PDI Notes (together, the "Old Notes"). In June 2000, the Republic launched a global exchange offer whereby it offered U.S. dollar Denominated Global Notes due 2012 (the "2012 Notes") and U.S. dollar Denominated Step-Up Global Notes due 2030 (the "2030 Notes" together with the 2012 Notes, the "2012 and 2030 Notes") together with a cash payment for any and all of the Old Notes.

In December 2005, the Republic successfully launched an issuance of notes due 2015 (the "2015 Notes"). The use of the proceeds of the 2015 Notes was to buy back certain of the 2012 Notes in accordance with their terms. The Republic successfully repaid all principal and interest on the 2015 Notes on December 15, 2015.

2012 and 2030 Notes and tender offer

In 2008, Ecuador defaulted on its interest payments for the 2012 and 2030 Notes in the aggregate amount of approximately U.S.$157 million and principal payments of approximately U.S.$3,200 million. The 2012 and 2030 Notes were originally issued in exchange for prior debt offerings of the Republic in order to extend the maturity dates of those prior obligations. This default followed the publication of a report in 2008 by the CAIC, a committee composed of representatives from both the Ecuadorian government and private sector organizations and members of civil society. CAIC reviewed Ecuador's debt obligations from 1976 to 2006. This report made a number of findings regarding the legitimacy of Ecuador's debt obligations (including the 2012 and 2030 Notes), in particular relating to concerns involving the public assumption of private debt, appropriate authorizations, sovereign immunity, and the relevant economic terms of the debt obligations incurred. After the default, which occurred during the first term of former President Correa's administration, Ecuador offered to repurchase the 2012 and 2030 Notes. In April 2009 and November 2009, the Republic launched tender offers, in cash, to holders of the 2012 and 2030 Notes. Approximately 93.22% of the notes were tendered in the April 2009 and the November 2009 tender offers and were bought out at 35 cents on the dollar. Although some holders continue to hold the defaulted 2012 and 2030 Notes, Ecuador has since successfully repurchased additional 2012 and 2030 Notes from remaining holders. As of the date hereof, the total aggregate amount of outstanding principal on the 2012 and 2030 Notes is

U.S.$52 million, which represents 1.6% of the original aggregate principal amount of the 2012 and 2030 Notes.

2024 Notes

On June 17, 2014, the Republic successfully issued U.S.$2,000 million of notes due June 2024, with a coupon of 7.95% at 100% of the purchase price (the "2024 Notes"). The Republic is current on its financial obligations under the 2024 Notes. The Republic used the proceeds of the 2024 Notes to finance its various hydroelectric projects and other infrastructure projects contemplated in the 2013-2017 National Development Plan. On April 17, 2020, certain terms and conditions of the 2024 Notes were amended pursuant to the Republic Consent Solicitation, see "*—the April 2020 Consent Solicitations to Bondholders—Consent Solicitations with respect to the Republic Notes.*"

2020 Notes

The 2020 Notes matured on March 24, 2020. On the maturity date, the Republic paid the aggregate amount of U.S.$324,630,000 that remained outstanding and under the 2020 Notes all accrued interests therein. These 2020 Notes have been cancelled.

2022 Notes

On July 28, 2016, the Republic successfully issued U.S.$1,000 million of notes due 2022 with a coupon of 10.75% (the "Original 2022 Issuance"), at 100% of the purchase price (the "2022 Notes"). The Republic reopened the Original 2022 Issuance on September 30, 2016 and successfully issued an additional U.S.$1,000 million of notes at a price of 100%, also due 2022. The Republic is current on its financial obligations under the 2022 Notes and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2022 Notes to finance its various hydroelectric projects and other infrastructure projects contemplated in the National Development Plan. The Republic reopened the Original 2022 Issuance on October 16, 2017, and successfully issued an additional U.S.$378 million of notes at a price of 112.878%, also due 2022, within the context of a loan with GSI. See "*GSI Loan Facility*" below. The Republic also reopened the Original 2022 Issuance on August 31, 2018, and successfully issued an additional U.S.$500 million of notes at a price of 104.753%, also due 2022, within the context of a repo transaction with GSI (see "*GSI Repo Transaction*" below). Additionally, the Republic reopened the Original 2022 Issuance on October 31, 2018, and issued an additional U.S.$1,187,028,000 of notes at a price of 105.305%, also due 2022 (the "Substituted October 2018 Additional Notes"), within the context of a repo transaction with CS, see "*CS Repo Transaction*" below. On August 6, 2019, the Republic cancelled the Substituted October 2018 Additional Notes pursuant to the terms of the 2022 Notes indenture, see "*CS Repo Transaction*" below.

Following the issuance and delivery by the Republic of the corresponding accelerated repurchase notices under the GSI Repo Transaction and the ICBCS Repo Transaction, the Republic cancelled a nominal amount of U.S.$500 million of its 2022 Notes, see "*GSI Repo Transaction*" below.

On March 23, 2020, the Ministry of Economy and Finance announced that the Republic had decided to exercise its right to a 30-day grace period for the payment of interest on the 2022 Notes. Before the expiration of the 30-day grace period, on April 17, 2020, certain terms and conditions of the 2022 Notes were amended pursuant to the Republic Consent Solicitation, see "*The April 2020 Consent Solicitations to Bondholders—Consent Solicitations with respect to the Republic Notes.*"

Following the early termination of the Gold Derivative Transaction and the Bond Derivative Transaction on June 19, 2020, the Republic received and subsequently cancelled a nominal amount of U.S.$378 million, see "*GSI Loan Facility*" below.

2026 Notes

On December 13, 2016, the Republic successfully issued U.S.$750 million of notes due 2026 with a coupon of 9.650% (the "Original 2026 Issuance"), at 100% of the purchase price (the "2026 Notes"). The Republic reopened the Original 2026 Issuance on January 13, 2016 and successfully issued an additional U.S.$1,000 million of notes at a price of 103.364% also due 2026 and intends to make all payments as they become due and payable. The Republic is current on its financial obligations under the 2026 Notes. The Republic used the proceeds of the

2026 Notes to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance an existing external debt obligation on more favorable terms. The Republic reopened the Original 2026 Issuance on October 16, 2017, and successfully issued an additional U.S.$41 million of notes at a price of 106.664%, also due 2026, within the context of a loan with GSI. See "*GSI Loan Facility*" below. On August 6, 2019, the Republic reopened the Original 2026 Issuance, issuing an additional U.S.$611,870,000 of notes at a price of 107.026%, also due 2026, for the purpose of a substitution under the October 2018 CS-Ecuador Repurchase Agreement, see "*CS Repo Transaction*" below.

On April 17, 2020, certain terms and conditions of the 2026 Notes were amended pursuant to the Republic Consent Solicitation, see "*The April 2020 Consent Solicitations to Bondholders—Consent Solicitations with respect to the Republic Notes.*"

Following the issuance and delivery by the Republic of an accelerated repurchase notice under the CS Repo Transaction, on April 30, 2020, the Republic cancelled U.S.$610,359,000 nominal amount of its 2026 Notes, see "*CS Repo Transaction*" below.

Following the early termination of the Gold Derivative Transaction and the Bond Derivative Transaction on June 19, 2020, the Republic received and subsequently cancelled a nominal amount of U.S.$41 million, see "*GSI Loan Facility*" below.

Petroamazonas notes

In February 2017, Petroamazonas issued two tranches of notes guaranteed by Ecuador. Under the first tranche, Petroamazonas issued U.S.$355,225,848.25 notes due 2019 with a coupon of 2.000% and not subject to a remarketing (the "PAM 2019 Notes") pursuant to an indenture entered into between Petroamazonas, Ecuador as guarantor and The Bank of New York Mellon as trustee. Under the second tranche, Petroamazonas issued U.S.$315,339,980.55 notes due 2020 with a coupon of 4.625% (the "PAM First Remarketing Notes") pursuant to an indenture entered into between Petroamazonas, Ecuador as guarantor, and The Bank of New York Mellon. In May 2017, the holders of the PAM First Remarketing Notes sold the PAM First Remarketing Notes to subsequent purchasers in the international capital markets.

On November 6, 2017, Petroamazonas issued U.S.$300,000,000 of its 4.625% notes due 2020, guaranteed by Ecuador, and later remarketed those notes on December 11, 2017 (the "PAM Second Remarketing Notes"). The PAM Second Remarketing Notes were issued pursuant to an indenture entered into between, among others, Petroamazonas, Ecuador as guarantor and The Bank of New York Mellon as trustee.

On May 4, 2020, certain terms and conditions of the PAM Second Remarketing Notes, including an extension of the maturity date to December 6, 2021 and a new amortization schedule beginning on January 6, 2021, were amended pursuant to the Republic Consent Solicitation, see "*The April 2020 Consent Solicitations to Bondholders—Consent Solicitation with respect to the Petroamazonas Notes.*"

2023 Notes and 2027 Notes

On June 2, 2017, the Republic successfully issued two tranches of notes. Under the first tranche, the Republic issued U.S.$1,000 million of 2023 Notes with a coupon of 8.750% (the "Original 2023 Issuance"), at 100% of the purchase price (the "2023 Notes"). Under the second tranche, the Republic issued U.S.$1,000 million of notes due 2027 with a coupon of 9.625% at 100% of the purchase price (the "2027 Notes"). The Republic is current on its financial obligations under the 2023 Notes and under the 2027 Notes. The Republic used the proceeds of the 2023 Notes and the 2027 Notes to (1) finance Government Programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance an existing external debt obligation on more favorable terms. The Republic reopened the Original 2023 Issuance on October 16, 2017, and successfully issued an additional U.S.$187 million of notes at a price of 104.412%, also due in 2023, within the context of a loan with GSI. See "*GSI Loan Facility*" below. On May 29, 2019, the Republic reopened the Original 2023 Issuance, issuing an additional U.S.$688,268,000 of notes at a price of 106.597%, also due 2023, (the "May 2019 Additional 2023 Notes"), for the purpose of a substitution under the Amended August 2018 GSI-Ecuador Repurchase Agreement. See "*GSI Repo Transaction*" below. On August 6, 2019, the Republic reopened the Original 2023 Issuance, issuing

an additional U.S.$610,359,000 of notes at a price of 107.291%, also due 2023, for the purpose of a substitution under the October 2018 CS-Ecuador Repurchase Agreement, see "*CS Repo Transaction*" below.

Following the issuance and delivery by the Republic of the corresponding accelerated repurchase notices under the GSI Repo Transaction, the ICBCS Repo Transaction and the CS Repo Transaction, the Republic received and subsequently cancelled a total nominal amount of U.S.$1,298,623,000 of its 2023 Notes (for further details, see "*GSI Repo Transaction*" and "*CS Repo Transaction*" below).

On April 17, 2020, certain terms and conditions of the 2023 Notes and of the 2027 Notes were amended pursuant to the Republic Consent Solicitation, see "*The April 2020 Consent Solicitations to Bondholders—Consent Solicitations with respect to the Republic Notes.*"

Following the early termination of the Gold Derivative Transaction and the Bond Derivative Transaction on June 19, 2020, the Republic received and subsequently cancelled a nominal amount of U.S.$187 million, see "*GSI Loan Facility*" below.

Second 2027 Notes

On October 23, 2017, the Republic successfully issued U.S.$2,500 million of notes due 2027 with a coupon of 8.875% at 100% of the purchase price (the "Second 2027 Notes"). The Republic is current on its financial obligations under the Second 2027 Notes and intends to make all payments as they become due and payable. The Republic used the proceeds of the Second 2027 Notes in accordance with the limitations of the Public Planning and Finance Code which indicates that the Republic may only use the proceeds to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance an existing external debt obligation on more favorable terms. On April 17, 2020, certain terms and conditions of the Second 2027 Notes were amended pursuant to the Republic Consent Solicitation, see "*The April 2020 Consent Solicitations to Bondholders—Consent Solicitations with respect to the Republic Notes.*"

2028 Notes

On January 23, 2018, the Republic successfully issued U.S.$3,000 million of notes due 2028 with a coupon of 7.875% at 100% of the purchase price (the "2028 Notes"). The Republic is current on its financial obligations under the 2028 Notes and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2028 Notes in accordance with the limitations of the Public Planning and Finance Code which indicates that the Republic may only use the proceeds to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance an existing external debt obligation on more favorable terms. On April 17, 2020, certain terms and conditions of the 2028 Notes were amended pursuant to the Republic Consent Solicitation, see "*The April 2020 Consent Solicitations to Bondholders—Consent Solicitations with respect to the Republic Notes.*"

2029 Notes

On January 31, 2019, the Republic successfully issued the 2029 Notes. The Republic is current on its financial obligations under the 2029 Notes. The Republic used the proceeds of the 2029 Notes in accordance with the limitations of the Public Planning and Finance Code which indicates that the Republic may only use the proceeds to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance an existing external debt obligation on more favorable terms. The Republic reopened the 2029 Issuance on June 17, 2019 and successfully issued an additional U.S.$1,125,000,000 million of notes at a price of 110.746%, also due 2029. The Republic used the proceeds of the reopened 2029 Notes to repurchase U.S.$1,175,370,000 principal amount of its 2020 Notes by means of a tender offer that settled on June 18, 2019. On April 17, 2020, certain terms and conditions of the 2029 Notes were amended pursuant to the Republic Consent Solicitation, see "*The April 2020 Consent Solicitations to Bondholders—Consent Solicitations with respect to the Republic Notes.*"

2025 Notes and 2030 Notes

On September 27, 2019, the Republic successfully issued the 2025 Notes and the 2030 Notes. The Republic used the proceeds of the 2025 Notes and the 2030 Notes in accordance with the limitations of the Public Planning and Finance Code which indicates that the Republic may only use the proceeds to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance an existing external debt obligation on more favorable terms. On March 23, 2020, the Ministry of Economy and Finance announced that the Republic had decided to exercise its right to a 30-day grace period for the payment of interest on the 2025 Notes and 2030 Notes. Before the expiration of the 30-day grace period, on April 17, 2020, certain terms and conditions of the 2025 Notes and of the 2023 Notes were amended pursuant to the Republic Consent Solicitation, see "*The April 2020 Consent Solicitations to Bondholders—Consent Solicitations with respect to the Republic Notes*."

The Social Bonds

On January 30, 2020, the Republic issued U.S.$400 million of its notes due 2035, with a coupon of 7.25% at 100% of the purchase price (the "Social Bonds"). The Social Bonds are backed by a U.S.$300 million guarantee by the Inter-American Development Bank. The Republic is current on its financial obligations under the Social Bonds. The Republic used the proceeds of the Social Bonds to finance social housing through loans that will be available at participating financial institutions to first-time buyers in Ecuador meeting certain conditions under the Government's Housing for All program. On July 20, 2020 the Republic requested consent from the holder of 100% of the Social Bonds to make certain proposed amendments to the Social Bonds, see "*The Social Bond Consent Solicitation*" below.

The April 2020 Consent Solicitations to Bondholders

Consent Solicitations with respect to the Republic Notes

As a result of the COVID-19 crisis and the significant drop in the export price for Ecuador's crude oil during the first quarter of 2020, both circumstances severely compromising the Republic's ability at the time to meet its obligations with its stakeholders, on April 8, 2020, the Republic announced that it was seeking to amend each of the following Republic notes and their respective indentures to provide short-term relief from certain of the Republic's financial obligations while the Government implemented steps needed to address the Republic's public finances over the medium- and long-terms and render its outstanding debt obligations sustainable: the 2022 Notes, the 2023 Notes, the 2024 Notes, the 2025 Notes, the 2026 Notes, the 2027 Notes, the Second 2027 Notes, the 2028 Notes, the 2029 Notes, the 2030 Notes (collectively, the "Amended Republic Notes"). To that end, on that day, the Republic commenced two solicitations of consents which it subsequently amended on April 14, 2020 (as amended, the "Republic Consent Solicitations"), one for eligible holders of the 2024 Notes and the other for eligible holders of the rest of the Amended Republic Notes, to amend certain terms and conditions of the Amended Republic Notes as follows (the "Republic Notes Amendments"):

(a) defer the payment of interest payable between March 27, 2020, and July 15, 2020, until August 15, 2020 (or August 10, 2020, if a new staff level agreement on a new successor IMF supported program with the Republic has not been announced no later than by 5:00pm on August 10, 2020),

(b) reduce the interest amount due on the first interest payment date occurring under each of the Amended Republic Notes on or after March 27, 2020, by U.S.$0.50 for each $1,000 principal amount of such notes (the "Consent Payment Amount"), and

(c) until the date of deferral, exclude from the events of default set forth in each of the Amended Republic Notes any cross defaults arising from defaults under (i) the PAM Second Remarketing Notes, provided that this amendment with respect to the PAM Second Remarketing Notes would have been rescinded on May 4, 2020 if a consent solicitation with respect to the PAM Second Remarketing Notes seeking amendments in accordance with the debt reprofiling plans of the Republic had not been announced by such date, and will be rescinded upon the effective date of the amendments pursuant to such consent solicitation (see "*—Petroamazonas Consent Solicitation*" below), (ii) the Social Housing Bonds, provided that this amendment with respect to the Social Housing Bonds will be rescinded on July 20, 2020 unless a consent solicitation with respect to the Social Bonds seeking amendments in accordance with the debt reprofiling plans of

the Republic is announced by such date, or upon the effective date of the amendments pursuant to such consent solicitation, (iii) any of the Amended Republic Notes for which these amendments did not become effective or (iv) certain loans from certain creditors of the Republic, and any defaults arising from judgments or arbitral awards issued against the Republic under such instruments.

On April 17, 2020, the Republic announced it had received the requisite consents from eligible holders of each of the Amended Republic Notes pursuant to the Republic Consent Solicitations. On that same day, the terms of each of the Republic Amended Notes and the corresponding indentures were amended in accordance with the Republic Consent Solicitations, and the Republic Notes Amendments became effective.

As part of the Republic Consent Solicitations, the Republic paid eligible holders of a series of the Amended Republic Notes who delivered valid consents a fee in an amount equal to the Consent Payment Amount with respect to that series.

Consent Solicitation with respect to the Petroamazonas Notes

As a result of the COVID-19 crisis and the significant drop in the export price for Ecuador's crude oil during the first quarter of 2020, both circumstances severely compromising Petroamazonas' and the Republic's ability to meet their obligations with their stakeholders, on April 28, 2020, Petroamazonas announced that it was seeking to amend the PAM Second Remarketing Notes by extending the maturity and deferring the payment of principal and interest to enable Petroamazonas and the Republic as guarantor under the notes to meet the payment obligations on a basis that would be consistent with the steps the Republic was implementing, and as of the date of the Invitation Memorandum continues to implement, to address medium- and long-term financial commitments and render its outstanding debt obligations sustainable. At the time of such announcement, as a result of scheduled amortization, U.S.$175 million aggregate principal amount of the PAM Second Remarketing Notes remained outstanding.

To that end, on April 28, 2020, Petroamazonas commenced a solicitation of consents (the "PAM Consent Solicitation") to amend certain terms and conditions of the PAM Second Remarketing Notes as follows (the "PAM Notes Amendments"):

(a) extend the maturity date of the PAM Second Remarketing Notes from November 6, 2020, to December 6, 2021;

(b) establish a new amortization schedule with monthly payments beginning on January 6, 2021;

(c) eliminate interest payment dates prior to September 6, 2020;

(d) reduce the interest amount due on the PAM Second Remarketing Notes originally scheduled for September 6, 2020, by U.S.$0.50 for each U.S.$1,000 of the outstanding principal amount (the "PAM Consent Payment Amount"), and

(e) exclude from the events of default set forth in the PAM Second Remarketing Notes cross defaults arising from defaults under, and defaults arising from the entering or issuance of judgments and arbitral awards relating to (i) the Amended Republic Notes unless and until certain provisions of the Amended Republic Notes are subsequently amended, and (ii) certain loans from certain creditors of Petroamazonas and the Republic.

On May 4, 2020, Petroamazonas announced it had received the requisite consents from eligible holders of the PAM Second Remarketing Notes pursuant to the PAM Consent Solicitation. On that same day, the terms of PAM Second Remarketing Notes and the corresponding indenture were amended in accordance with the PAM Consent Solicitation, and the PAM Notes Amendments became effective.

As part of the PAM Consent Solicitation, PAM paid eligible holders of the PAM Second Remarketing Notes who delivered valid consents a fee in an amount equal to the PAM Consent Payment Amount.

The Social Bond Consent Solicitation

On July 20, 2020, the Republic requested consent from the holder of 100% of the Social Bonds, Ecuador Social Bond S.A.R.L, a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg as an unregulated securitisation company (*société de titrisation*) within the meaning of, and governed by, the Luxembourg law of 22 March 2004 on securitisation, as amended from time to time. The Republic requested the holder's consent to make certain proposed amendments to the Social Bonds and the related indenture dated as of January 30, 2020 among the Republic, The Bank of New York Mellon, as Trustee and Registrar, the Bank of New York Mellon, London Branch, as Paying Agent and Account Bank, and the Inter-American Development Bank, as the Guarantor.

If adopted, the proposed amendments will amend the terms of the Social Bond indenture and the Social Bonds to exclude from the events of default set forth in the Social Bonds cross defaults arising from defaults under, and defaults arising from the entering or issuance of judgments and arbitral awards relating to, certain existing sovereign bonds of the Republic. The proposed amendments will not alter the Republic's obligation to pay the principal of or interest on the Social Bonds when due, the interest rate (and accrual thereof), the maturity date therefor or the guarantee by the Inter-American Development Bank.

GSI Loan Facility

On October 11, 2017 the Republic and GSI entered into a U.S.$500 million 35-month loan facility (the "GSI Loan Facility") governed by Ecuadorian law.

On October 11, 2017, the Central Bank and GSI entered into a three-year gold derivative transaction in which the Central Bank transferred to GSI an initial 300,000 ounces of gold (valued at the date of the transaction at approximately U.S.$387 million, "Gold") (the "Gold Derivative Transaction") and in return received a fixed rate from GSI on the value of the Gold transferred. In addition, on the same date as the Gold Derivative Transaction, the Central Bank entered into a three-year bond derivative transaction (the "Bond Derivative Transaction") in which the Central Bank transferred to GSI U.S.$606 million nominal amount of notes issued by the Republic (the "2017 Reopened Notes") (with a market value at the date of the transaction of U.S.$650 million) and in return received the interest amounts on the 2017 Reopened Notes (with any interest generated for any delays in such transfer from GSI to the Central Bank) in addition to a fixed rate on the value of the 2017 Reopened Notes transferred to GSI. The 2017 Reopened Notes constitute "Further Notes" (as defined in each of the respective indentures) of the following existing series of notes currently being traded in the international markets: (a) the 2022 Notes, (b) the 2023 Notes, and (c) the 2026 Notes.

On June 1, 2020, GSI and the Central Bank mutually agreed to early terminate the Gold Derivative Transaction and the Bond Derivative Transaction and on June 10, 2020, the Central Bank notified GSI its intention to exercise its option to purchase the Gold from GSI pursuant to the terms of the Gold Derivative Transaction. In accordance with their mutual agreement, on June 19, 2020, (i) GSI returned to the Central Bank the 2017 Reopened Notes, (ii) GSI transferred to the Central Bank the GSI Loan Facility, becoming the Central Bank the new lender under that agreement, (iii) GSI transferred to the Central Bank the Gold, and (iv) the Central Bank paid GSI an amount of U.S.$370.5 million in consideration for the Gold. With effect on June 19, 2020, the Gold Derivative Transaction and the Bond Derivative Transaction were terminated. Following receipt of the 2017 Reopened Notes, the Republic promptly arranged for their cancellation and they are no longer outstanding.

GSI Repo Transaction

On August 28, 2018, the Republic and Goldman Sachs International ("GSI") entered into a repurchase transaction (the "GSI Repo Transaction") under a global master repurchase agreement entered into between the Republic and GSI as of August 28, 2018 (the "Master Agreement"), including a negotiated Annex and Confirmation dated as of August 28, 2018, as amended and restated on October 10, 2018 (the GMRA, the Annex and the Confirmation collectively, the "GSI-Ecuador Repurchase Agreement"). Pursuant to the GSI-Ecuador Repurchase Agreement, the Republic sold and transferred to GSI 2020 Notes and 2022 Notes in an aggregate nominal amount of U.S.$1,201,616,000 and in return received from GSI a purchase price of U.S.$500,000,000, the value of the Republic's residual interest in the repurchase transaction and the interest amounts. Pursuant to the notice of substitution dated May 23, 2019, on May 29, 2019, GSI returned to the Republic 2020 Notes in an aggregate

nominal amount of U.S.$701,616,000 and the Republic transferred to GSI 2023 Notes in an aggregate nominal amount of U.S.$688,268,000. On May 31, 2019, the Republic, GSI and ICBC Standard Bank Plc ("ICBCS") entered into an agreement pursuant to which a portion of GSI's interest in the GSI-Ecuador Repurchase Agreement was transferred to ICBCS. In April 2020, the Republic delivered to GSI an Accelerated Repurchase Notice, pursuant to which GSI returned to the Republic 2022 Notes with a nominal value of U.S.$400,000,000 and 2023 Notes with a nominal value of U.S.$550,614,000, collectively constituting the entirety of the notes delivered to GSI pursuant to the GSI Repo Transaction, and the GSI Repo Transaction and the GSI-Ecuador Repurchase Agreement were terminated. Following receipt, the Republic promptly cancelled such notes and they are no longer outstanding.

ICBCS Repo Transaction

On May 31, 2019, the Republic, GSI and ICBCS entered into a transfer agreement pursuant to which a portion of GSI's interest in the GSI Repo Transaction was transferred to ICBCS (the "ICBCS Repo Transaction").

In April 2020, the Republic also delivered to ICBCS an Accelerated Repurchase Notice pursuant to which (i) ICBCS returned to the Republic 2022 Notes with a nominal value of U.S.$100,000,000 and 2023 Notes with a nominal value of U.S.$137,654,000, collectively constituting the entirety of the notes delivered to ICBCS pursuant to the ICBCS Repo Transaction, (ii) the Republic paid ICBCS a return amount of U.S.$294,116.23, and (iii) the ICBCS Repo Transaction and the ICBCS-Ecuador Repurchase Agreement were terminated. As a result of a decrease in value of the underlying notes, upon requests by ICBCS pursuant to the agreement, the Republic transferred to ICBCS additional payments totaling a net amount of U.S.$72.2 million (after deducting those additional payments returned by ICBCS to the Republic) from November 21, 2019 through April, 2020. Following receipt of the notes from ICBCS, the Republic promptly cancelled such notes and they are no longer outstanding.

CS Repo Transaction

On October 29, 2018, the Republic and CS entered into a repurchase transaction (the "CS Repo Transaction") under a global master repurchase agreement entered into between the Republic and CS as of October 29, 2018 (the "Master Agreement"), including a negotiated Annex dated as of October 29, 2018 and the Confirmation dated as of October 29, 2018 (the GMRA, the Annex and the Confirmation collectively, the "October 2018 CS-Ecuador Repurchase Agreement"). Pursuant to the CS-Ecuador Repurchase Agreement, the Republic sold and transferred to CS U.S.$1,187,028,000 nominal amount of 2022 Notes and in return received from CS a purchase price of EUR439,251,515.42, the value of the Republic's residual interest in the repurchase transaction and the interest amounts three business days prior to the date on which they are paid by the Republic on the underlying notes received by CS. Pursuant to the notice of substitution dated August 6, 2019, CS returned to the Republic 2022 Notes in an aggregate nominal amount of U.S.$1,187,028,000 and the Republic transferred to CS 2023 Notes in an aggregate nominal amount of U.S.$610,359,000 and 2026 Notes in an aggregate nominal amount of U.S.$611,870,000.

As a result of a decrease in value of the underlying notes, upon CS's request pursuant to the CS-Ecuador Repurchase Agreement, the Republic transferred to CS payments totaling a net amount of U.S.$408.8 million (after deducting those additional payments returned by CS to the Republic) from November 20, 2019 through April 2020.

In April 2020, the Republic delivered to CS an Accelerated Repurchase Notice pursuant to which (i) CS returned to the Republic 2023 Notes with a nominal value of U.S.$610,359,000 and 2026 Notes with a nominal value of U.S.$611,870,000, (ii) the Republic paid CS an amount of U.S.$35,600,000, and (iii) the CS Repo Transaction and the CS-Ecuador Repurchase Agreement were terminated. Following receipt of the notes from CS, the Republic promptly cancelled such notes and they are no longer outstanding.

GLOSSARY

1995 Settlement A-61
2012 and 2030 Notes A-135
2012 Notes A-134
2015 Notes A-135
2017 Reopened Notes A-141
2019 Budget A-108
2019 Draft Budget A-108
2020 Budget 11
2022 Notes A-135
2023 Notes A-137
2024 Notes A-135
2026 Notes A-136
2027 Notes A-137
2028 Notes A-138
Action Plan for the Strengthening of Public Finances A-34
Advisory Council Executive Committee A-22
AGD A-63
Anticorruption Secretariat A-39
APM A-63
ARCH A-49
ARCOM A-50
Austerity Decree A-23
Autonomous Decentralized Governments A-32
BIESS A-58
Bill of the Organic Law for the Regulation of Public Finances A-129
Bond Derivative Transaction A-141
Brady Bonds A-134
Brady Plan A-134
BSA A-91
CCS A-64
Center for Arbitration and Mediation of Quito Chamber of Commerce A-63
Central Bank Certificates A-83
Central Government A-105
CEREPS A-32
CFI A-64
CFI-TRAINSAINER contract A-64
CFN 5
Code of Monetary, Financial, Securities and Insurance Resolutions 5
CONAFIPS 5
CONEIN A-37
Consent Payment Amount A-139
Consolidation Decree A-41
COSEDE A-35
CPI A-96
CRCC A-49
CS Repo Transaction 13
Debt and Finance Committee A-32
Decree 1033 ..... A-40
Decree 1054 3
Decree 314 ..... A-42
Decree 315 ..... A-42
Decree 338 4
Decree 724 ..... A-48
Decree 828 ..... A-40
Deposit Guarantee Agency A-63
DFC 5
Discount Note A-134
Ecuador Bonds 14
Ecuadorian Institute for Intellectual Property A-62
Ecuadorian Social Security Institute A-58
Electoral Branch A-22
Employment Partner Network A-56
Entrepreneurship and Innovation Law A-37
EPC Contract A-64
ETAP A-86
Eurobonds A-134
Exclusion and Transfer of Assets and Liabilities A-86
FEIREP A-98
Final Amortization Date 13
Financial and Economic Analysis Agency A-39
First Instance Courts A-21
First Superior Court of the First Judicial District of Panama A-65
Foreign Commerce and Investment Council A-74
Gente Oil A-65
Gold A-140
Gold Derivative Transaction A-140
Government 3
GSI 13
GSI Loan Facility A-140
GSI Repo Transaction 13
GSI-Ecuador Repurchase Agreement 13
Human Development Bond A-57
Hutchison A-63
Hydrocarbons Regulatory Agency A-49
ICBCS 13
ICBCS Repo Transaction 13
ICE A-25
ICO 12
IE Notes A-134
IEPI A-62
IESS A-58
IMF Condition 14
INDRA A-67
INEC *A-20*
Intercultural Education Law A-59
International Commission against Corruption A-39
International Reserves 9
intra-governmental debt A-123
JCD A-64
JICA A-52
Judiciary Council A-21
Law 98-17 ..... A-123
Law for the Recovery of the Use of Oil Resources of the State and Administrative Rationalization of Indebtedness A-32

Law Reorganizing Economic Matters in the Tax and Finance Areas A-86
Law to Strengthen the Social Security System of the Armed Forces and National Police A-59
LIBOR A-134
Liquidity Fund A-86
Loan-loss Reserve A-85
LOREYTF A-32
LPG A-46
Master Agreement 13
Maximum Actual Credit Cost Law A-92
May 2019 Additional 2023 Notes A-137
Merck A-63
Mining Control Agency A-50
Mixed Economy Pacific Refinery Company A-66
mmscfd A-48
Monetary and Financial Law A-35
Monetary and Financial Policy and Regulation Board 5
National Anticorruption Commission A-40
National Iinstitute of Statistics *A-20*
National Service for Public Procurement A-39
New Methodology A-100
OCP 7
October 2018 CS-Ecuador Repurchase Agreement 13
Old Notes A-134
Organic Law for the Reactivation of the Economy, Strengthening of Dollarization and Modernization of Financial Management A-23
Organic Law for the Regulation of Public Finances 6
Organic Law on Humanitarian Aid 5
Organic Law on Tax Simplification A-33
Original 2022 Issuance A-135
Original 2023 Issuance A-137
Original 2026 Issuance A-136
OTI A-45
PAM 2019 Notes A-136
PAM Consent Payment Amount A-140
PAM Consent Solicitation A-140
PAM First Remarketing Notes A-136
PAM Notes Amendments A-140
PAM Second Remarketing Notes A-137
Par Notes A-134
PDI Notes A-134
Perenco A-62
Petroamazonas 7
Petroecuador A-24
Portoviejo Agreement 12
Production Code A-33
Program for Public Finance A-92
Provincial Courts of Justice A-21
PTT International A-45
Public Defender A-22
RDP A-46
Reform Act to the Internal Tax Regime Law and the Reform Act for Tax Equity in Ecuador A-33
Regional Payment Compensation Unitary System A-76
Regulation on Mining Exports Control A-50
Republic Notes Amendments A-139
RFI 15
Scientific-Technological and Fiscal Stability Social and Productive Reactivation Special Account A-32
Second 2027 Notes A-137
Second Generation Mining Projects A-50
SENAE A-75
SEPS A-92
Social Bonds 12
SOTE 7
Special Consumer Good Tax A-107
Stabilization, Social Investment and Public Indebtedness Reduction Fund A-98
State of Emergency 3
Substituted October 2018 Additional Notes A-136
SUCRE A-76
Superintendent of Banks A-22
Superintendent of the Popular Economy A-92
Tax Culture Day A-107
Temporary Merger Unit A-42
Transitional Citizen Participation and Social Control Council A-24
Transparency and Social Control Branch A-22
Transparency Committee A-40
Twelfth Court of the Civil Circuit in the First Circuit of Panama A-64
WTO A-74

Appendix B

Form of Supplemental Indenture for the Aggregated Eligible Bonds

[THIRD] SUPPLEMENTAL INDENTURE

THIS [THIRD] SUPPLEMENTAL INDENTURE (the "***Supplemental Indenture***") is made as of [●], 2020 between the Republic of Ecuador (the "***Republic***") and The Bank of New York Mellon, as trustee (the "***Trustee***") and registrar. Capitalized terms used but not otherwise defined herein have the meanings given to them in the Indenture (as defined below).

WHEREAS, the Republic issued its [●]% Notes due 20[●] (the "***Notes***") pursuant to a trust indenture, dated as of [●], entered into by and among the Republic, the Trustee, and The Bank of New York Mellon, London Branch, as London paying agent and The Bank of New York Mellon, (Luxembourg) S.A., as Luxembourg transfer agent and Luxembourg paying agent, as amended and modified pursuant to a [first] supplemental indenture, dated as of [●], 2018, and as further amended and modified pursuant to a [second] supplemental indenture, dated as of April 17, 2020, an executed copy of which is attached hereto as Exhibit A (the "***Indenture***"),

WHEREAS, Section 7.2 of the Indenture (*Modifications affecting Notes*), permits Non-Reserved Matter Modifications to the Indenture with the written consent of the Holders of not less than 66 2/3% of the aggregate principal amount of the Notes then Outstanding and Reserved Matter Modifications with the written consent of the Holders of not less than 75% of the aggregate principal amount of the Notes then Outstanding and Section 7.3 (*Reserved Matter Modifications affecting Debt Securities of Multiple Series – Two Limb Voting*) permits Reserved Matter Modifications to the Indenture with the written consent of (a) the holders of at least 66 2/3% of the aggregate principal amount of the outstanding debt securities of all series that would be affected by that Reserved Matter Modification (taken in aggregate); and (b) the holders of more than 50% of the aggregate principal amount of the outstanding debt securities of each affected series (taken individually) (the "***Required Consents***"),

WHEREAS, pursuant to an Invitation Memorandum dated [●], 2020 (the "***Invitation Memorandum***"), the Republic solicited the written consent of holders of the Notes to the Modifications (as defined in the Invitation Memorandum) (the "***Consent Solicitation***"),

WHEREAS, the Modifications constitute Non-Reserved Matter Modifications or Reserved Matter Modifications within the meaning of Section 25 of the Form of Reverse of Notes—Terms and Conditions of the Notes,

WHEREAS, pursuant to the Consent Solicitation, the Required Consents to effect the Modifications have been validly delivered to, and accepted by, the Republic,

WHEREAS, all conditions precedent provided for in the Indenture relating to the execution of this Supplemental Indenture have been complied with as of the date hereof, and

WHEREAS, the Republic and the Trustee wish to execute this Supplemental Indenture in order to give effect to the Modifications as set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the agreements and covenants hereinafter set forth, the parties hereby agree as follows:

SECTION 1. From and after the Consent Completion Event (as defined below) and without any further action by any party hereto, the Indenture will be amended and modified as follows (bolded and italicized text denotes additions or amended language and strikethrough text denotes deletions (as applicable)):

(a) References to "[●]% Notes due 20[●]" in the Indenture will be changed to "[***4.625***]% Notes due ***2040.***"

(b) Section 1.1 of the Indenture is amended to include in appropriate alphabetical order the following new defined terms:

> ***"Excluded Bonds" shall mean the 10.750% Notes due 2022, 8.750% Notes due 2023, 7.950% Notes due 2024 (from and after the effectiveness of their amendment due to a Reserved Matter Modification that changes their reference to [4.625]% Notes due 2040), 7.875% Notes due 2025, 9.650% Notes due 2026, 9.625% Notes due 2027, 8.875% Notes due 2027, 7.875% Notes due 2028, 10.750% Notes due 2029, 9.500% Notes due 2030, the Social Housing Notes, the PAM Notes, the New 2030 Bonds, the New 2035 Bonds, the New 2040 Bonds and New PDI 2030 Bond, in each case as amended and supplemented from time to time and outstanding as of, in each case issued by the Republic."***

(c) The defined terms "August 2020 Specified Date", "PAM Amendments", "PAM Amendments Effective Date", "PAM Consent Solicitation", "Social Housing Amendments", "Social Housing Amendments Effective Date" and "Social Housing Consent Solicitation" in Section 1.1 of the Indenture shall be deleted.

(d) The defined term "Excluded Indebtedness" in Section 25(h)(iii) of the Form of the Reverse of the Notes—Terms and Conditions of the Notes in the Indenture will be modified by replacing the period after clause (B) with a semi-colon and adding a new clause (C) as follows:

"***(C) the Excluded Bonds and any related indentures***."

(e) The first paragraph on the Form of Face of the Notes in the Indenture will be changed as follows:

> The REPUBLIC OF ECUADOR (the **"Republic")** for value received, hereby promises to pay to The Bank of New York Depository (Nominees) Limited, or registered assigns, the principal sum of U.S.$ [●] or such other amount as shall be the outstanding principal amount hereof, *[if the Note is a Global Note, insert:* as noted on the Schedule of Principal Increases and Decreases attached hereto as Schedule A,] ~~on [●], or on such earlier date as the principal hereof may become due in accordance with the provisions~~

~~hereof~~ ***on 10 (ten) equal semi-annual installments payable on January 31 and July 31 of each year, beginning on January 31, 2036*** (each a **"Principal Payment Date").**

(f) The second paragraph on the Form of Face of the Notes in the Indenture will be amended deleted and replaced with the following paragraph in its entirety:

"***The Republic further unconditionally promises to pay interest in arrears on January 31 and July 31 of each year (each an "Interest Payment Date") commencing on January 31, 2021, at the following rates per annum:***

- ***From and including the*** **[Settlement Date]** ***to but excluding July 31, 2021: 0.500%;***
- ***From and including July 31, 2021 to but excluding July 31, 2022: 0.500%;***
- ***From and including July 31, 2022 to but excluding July 31, 2023: 1.500%;***
- ***From and including July 31, 2023 to but excluding July 31, 2024: 2.500%;***
- ***From and including July 31, 2024 to but excluding July 31, 2026: 5.000%;***
- ***From and including July 31, 2026 to but excluding July 31, 2027: 5.500%;***
- ***From and including July 31, 2027 to but excluding July 31, 2028: 6.000%;***
- ***From and including July 31, 2028 to but excluding July 31, 2029: 6.500%; and***
- ***From and including July 31, 2029 to but excluding July 31, 2040: 6.900%.***

Interest shall accrue from and including the most recent date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for, from **[the Settlement Date]** ***to but excluding the date on which payment of said principal sum has been made or duly provided for***."

(g) The reference to "[●], 20[●]" on paragraph (b) of the Form of Reverse of Notes—Terms and Conditions of the Notes in the Indenture, will be changed to "July 31, 2040."

(h) The first paragraph of Section 2 of the Form of Reverse of Notes—Terms and Conditions of the Notes in the Indenture will be amended as follows:

"The Notes bear interest from **[the Settlement Date]** ***at the following rates per annum, (the "Rate of Interest") payable in arrears on each January 31 and July 31, commencing on January 31, 2021 (each, an "Interest Payment Date"):***

- ***From and including the* [Settlement Date] *to but excluding July 31, 2021: 0.500%;***

- ***From and including July 31, 2021 to but excluding July 31, 2022: 0.500%;***

- ***From and including July 31, 2022 to but excluding July 31, 2023: 1.500%;***

- ***From and including July 31, 2023 to but excluding July 31, 2024: 2.500%;***

- ***From and including July 31, 2024 to but excluding July 31, 2026: 5.000%;***

- ***From and including July 31, 2026 to but excluding July 31, 2027: 5.500%;***

- ***From and including July 31, 2027 to but excluding July 31, 2028: 6.000%;***

- ***From and including July 31, 2028 to but excluding July 31, 2029: 6.500%; and***

- ***From and including July 31, 2029 to but excluding July 31, 2040: 6.900%.***

***provided that, for the avoidance of doubt, no interest has accrued or is past due prior to* [the Settlement Date];**

provided further that any Further Notes shall bear interest payable in arrears on each Interest Payment Date, from, and including, the Initial Interest Payment Date, as defined in the Authorization for the relevant Further Notes, subject as provided in paragraph 3 (*Payments and Paying Agents*)."

(i) Section 7.2(a) of the Indenture will be amended to read in its entirety as follows:

> "in the case of any Non-Reserved Matter, (i) at any meeting of Holders of such Series of Notes duly called and held as specified in ARTICLE 9 (*Provision for Meetings of Holders*), upon the affirmative vote, in person or by Proxy thereunto duly authorized in writing, of the Holders of greater than ***50***% of the aggregate principal amount of such Series of Notes then Outstanding, or (ii) with the written consent of the Holders greater than ***50***% of the aggregate principal amount of such Series of Notes then Outstanding."

(j) Section 7.5 of the Indenture (*Modification in the context of Exchange Offers*) and related defined terms shall be deleted in their entirety from the Indenture, the Form of Face of the Notes and the Form of Reverse of Notes, as applicable, and replacing such provisions with "Reserved" to the extent applicable;

(k) Section 7.6 of the Indenture (*Reopening and New Issuance of Notes*) and related defined terms shall be deleted in their entirety from the Indenture, the Form of Face of the Notes and the Form of Reverse of Notes, as

applicable, and replacing such provisions with "Reserved" to the extent applicable";

(l) In Section 25(b)(i) of the Terms and Conditions of the Reverse of the Notes, the two references to "not less than 66 2/3" shall be amended to "***greater than 50***" in conformance with the amendment to Section 7.2(a) of the Indenture herein.

(m) Paragraphs (c), (h), and (i) of Section 6 (Events of Default) of the Form of Reverse of Notes—Terms and Conditions of the Notes in the Indenture are deleted in their entirety and replaced with "Reserved."

SECTION 3. From and after the Consent Completion Event and without any further action by any party hereto, any provision contained in each Global Note representing the Notes that relates to the sections in the Indenture that are amended pursuant to Section 1 and Section 2 hereof shall likewise be amended so that any such provision contained in such Global Note will conform to and be consistent with the Indenture, as amended by this Supplemental Indenture.

SECTION 4. This Supplemental Indenture shall become effective on the Republic, the Trustee, the Paying Agents and each Holder of the Notes upon the execution and delivery by the parties hereto. However, this Supplemental Indenture shall become operative and binding on the Republic, the Trustee, the Paying Agents and each Holder of the Notes at such time as each of the following events shall have occurred: (i) the Republic shall have completed (and not terminated) the Consent Solicitation in accordance with the terms and conditions set forth in the Invitation Memorandum, and (ii) each Holder of Notes who has delivered its consent and whose consent has been accepted by the Republic pursuant to the Consent Solicitation shall have received a proportional principal amount as set forth in the Invitation Memorandum of bonds due 2030 (the "**New 2030 Bond**"), bonds due 2035 (the "**New 2035 Bond**"), bonds due 2040 (the "**New 2040 Bond**"), bonds due 2030 (the "**New PDI 2030 Bond**", and together with the New 2030 Bond, the New 2035 Bond and the New 2040 Bond, the "**New Securities**") (such date, the "***Consent Completion Event***").

SECTION 5. The modifications contained in Section 1 and 2 of this Supplemental Indenture shall be conclusive and binding upon all Holders of Notes, whether or not they have given their consents pursuant to the Consent Solicitation, and on all future Holders of Notes, whether or not notation of such modifications, amendments or waivers is made upon such Notes, in accordance with Section 25 of the Terms and Conditions of the Reverse of the Notes.

SECTION 6. Except as expressly amended hereby, the Indenture and the Notes are in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall not in any way be affected or impaired thereby and such provision shall be ineffective only to the extent of such invalidity, illegality or unenforceability.

SECTION 7. This Supplemental Indenture may be executed in one or more counterparts, and by the parties hereto in separate counterparts, each of which when executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this

Supplemental Indenture by electronic signature (including facsimile or such other electronic means) shall be as effective as delivery of a manually executed counterpart hereof.

SECTION 8. Sections 11.7 (*Jurisdiction of Disputes Involving the Republic*) and 11.10 (*Applicable Law*) of the Indenture shall apply *mutatis mutandis* to this Supplemental Indenture as if set out herein.

SECTION 9. The Trustee accepts the amendment of the Indenture effected by this Supplemental Indenture and agrees to execute the trust created by the Indenture as hereby amended, but only upon the terms and conditions set forth in the Indenture, including the terms and provisions defining and limiting the liabilities and responsibilities of the Trustee, which terms and provisions shall in like manner define and limit its liabilities and responsibilities in the performance of the trust created by the Indenture as hereby amended. Without limiting the generality of the foregoing, the Trustee shall not be responsible in any manner whatsoever for or with respect to any of the recitals or statements contained herein, all of which recitals or statements are made solely by the Republic, or for or with respect to (i) the validity, efficacy or sufficiency of this Supplemental Indenture or any of the terms or provisions hereof; (ii) the proper authorization hereof by the Republic by government action or otherwise; or (iii) the due execution hereof by the Republic and the Trustee makes no representation with respect to any such matters.

[*Signature page follows*]

IN WITNESS WHEREOF the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first written above.

THE REPUBLIC OF ECUADOR
acting through its Ministry of Economy and Finance

By:_____
Name:
Title:

THE BANK OF NEW YORK MELLON,
as Trustee

By:_____
Name:
Title:

Attachment

Appendix C

Form of Supplemental Indenture for the 2024 Bond

THIRD SUPPLEMENTAL INDENTURE

THIS THIRD SUPPLEMENTAL INDENTURE (the "***Supplemental Indenture***") is made as of [●], 2020 between the Republic of Ecuador (the "***Republic***") and The Bank of New York Mellon, as trustee (the "***Trustee***") and registrar. Capitalized terms used but not otherwise defined herein have the meanings given to them in the Indenture (defined below).

WHEREAS, the Republic issued its 7.950% Notes due 2024 (the "***Notes***") pursuant to a trust indenture, dated as of June 20, 2014, entered into by and among the Republic, the Trustee, and The Bank of New York Mellon, London Branch, as London paying agent and The Bank of New York Mellon, (Luxembourg) S.A., as Luxembourg transfer agent and Luxembourg paying agent, as amended and modified pursuant to a first supplemental indenture, dated as of December 28, 2018, and as further amended and modified pursuant to a second supplemental indenture, dated as of April 17, 2020, an executed copy of which is attached hereto as Exhibit A (the "***Indenture***"),

WHEREAS, Section 7.2 of the Indenture (*Modifications affecting Notes*), permits Non-Reserved Matter Modifications to the Indenture with the written consent of the Holders of not less than 66 2/3% of the aggregate principal amount of the Notes then Outstanding and Reserved Matter Modifications with the written consent of the Holders of not less than 75% of the aggregate principal amount of the Notes then Outstanding (the "***Required Consents***"),

WHEREAS, pursuant to an Invitation Memorandum dated [●], 2020 (the "***Invitation Memorandum***"), the Republic solicited the written consent of holders of the Notes to the Modifications (as defined in the Invitation Memorandum) (the "***Consent Solicitation***"),

WHEREAS, the Modifications constitute Non-Reserved Matter Modifications or Reserved Matter Modifications within the meaning of Section 25 of the Form of Reverse of Notes—Terms and Conditions of the Notes,

WHEREAS, pursuant to the Consent Solicitation, the Required Consents to effect the Modifications have been validly delivered to, and accepted by, the Republic,

WHEREAS, all conditions precedent provided for in the Indenture relating to the execution of this Supplemental Indenture have been complied with as of the date hereof, and

WHEREAS, the Republic and the Trustee wish to execute this Supplemental Indenture in order to give effect to the Modifications as set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the agreements and covenants hereinafter set forth, the parties hereby agree as follows:

SECTION 1. From and after the Consent Completion Event (as defined below) and without any further action by any party hereto, the Indenture will be amended and modified as follows (bolded and italicized text denotes additions or amended language and strikethrough text denotes deletions (as applicable)):[1]

(a) References to "7.950% Notes due 2024" in the Indenture will be changed to "**[4.625]**% Notes due 2040."

(b) Section 1.1 of the Indenture is amended to include in appropriate alphabetical order the following new defined terms:

> ***"Excluded Bonds" shall mean the 10.750% Notes due 2022, 8.750% Notes due 2023, 7.950% Notes due 2024 (from and after the effectiveness of their amendment due to a Reserved Matter Modification that changes their reference to [4.625]% Notes due 2040), 7.875% Notes due 2025, 9.650% Notes due 2026, 9.625% Notes due 2027, 8.875% Notes due 2027, 7.875% Notes due 2028, 10.750% Notes due 2029, 9.500% Notes due 2030, the Social Housing Notes, the PAM Notes, the New 2030 Bonds, the New 2035 Bonds, the New 2040 Bonds and New PDI 2030 Bond, in each case as amended and supplemented from time to time and outstanding as of, in each case issued by the Republic."***
>
> ***"Series" means debt securities having the same terms conditions and issued on the original issue date therefor, together with any further issuances of debt securities that, in relation to each other and to the original issuance, are (i) identical in all respects except for their issue date, issue price and the first payment date and (ii) expressed to be consolidated and form a single Series, if any.***

(c) The defined terms "August 2020 Specified Date", "PAM

[1] NTD: The proposed Modifications set forth in this Supplemental Indenture will apply as applicable if (A) only the Non-Reserve Matter threshold is reached or (B) the higher Reserve Matter threshold is reached,

(A) **Proposed Modifications that Relate to a Non-Reserved Matter Modification**: (i) eliminate all of the covenants set forth in Section 5 (*Certain Covenants of the Republic*) of the Form of Reverse of Notes—Terms and Conditions of the Notes; (ii) eliminate all Events of Default set forth in Section 6 (*Events of Default*) of the Form of Reverse of Notes—Terms and Conditions of the Notes with the exception of the Event of Default relating to the payment of principal amounts (iii) Eliminate Section 7.3 in connection with modifications in the context of exchange offers; (iv) eliminate Section 7.4 of the 2024 Bonds Indenture in connection with the reopening and new issuance of notes.

(B) **Proposed Modifications that Relate to a Reserved Matter Modification**: (i) extend the maturity date to July 31, 2040; (ii) reduce the outstanding principal amount of the 2024 Bonds; (iii) irrevocably waive any accrued and unpaid interest through and excluding July 31, 2020, and thereafter pay interest semi-annually in arrears on January 31 and July 31 of each year; (iv) reduce the threshold needed to give effect to a Non-Reserved Matter Modification to a majority of the aggregate principal amount of the 2024 Bonds (v) amend Section 7 to permit aggregation of the 2024 Bonds with any other series of debt securities containing multiple series modification provisions that are substantially in the same form; (vi) amend Section 7.1 to permit the Republic and the trustee to agree to certain technical modifications without the consents of holders, as well as to add covenants or security interest to the benefit of holders.

Amendments", "PAM Amendments Effective Date", "PAM Consent Solicitation", "Social Housing Amendments", "Social Housing Amendments Effective Date" and "Social Housing Consent Solicitation" in Section 1.1 of the Indenture shall be deleted.

(d) The defined term "Excluded Indebtedness" in Section 25(h)(iii) of the Form of the Reverse of the Notes—Terms and Conditions of the Notes in the Indenture will be modified by replacing the period after clause (B) with a semi-colon and adding a new clause (C) as follows:

"***(C) the Excluded Bonds and any related indentures***."

(e) The first paragraph on the Form of Face of the Notes in the Indenture will be changed as follows:

> The REPUBLIC OF ECUADOR (the **"Republic")** for value received, hereby promises to pay to The Bank of New York Depository (Nominees) Limited, or registered assigns, the principal sum of U.S.$***1,822,000,000*** ~~2,000,000,000~~ or such other amount as shall be the outstanding principal amount hereof, *[if the Note is a Global Note, insert:* as noted on the Schedule of Principal Increases and Decreases attached hereto as Schedule A,] ~~on June 20, 2024, or on such earlier date as the principal hereof may become due in accordance with the provisions hereof~~ ***on 10 (ten) equal semi-annual installments payable on January 31 and July 31 of each year, beginning on January 31, 2036*** (each a **"Principal Payment Date").**

(f) The second paragraph on the Form of Face of the Notes in the Indenture will be amended deleted and replaced with the following paragraph in its entirety:

> "***The Republic further unconditionally promises to pay interest in arrears on January 31 and July 31 of each year (each an "Interest Payment Date") commencing on January 31, 2021, at the following rates per annum:***

- ***From and including the* [Settlement Date] *to but excluding July 31, 2021: 0.500%;***

- ***From and including July 31, 2021 to but excluding July 31, 2022: 0.500%;***

- ***From and including July 31, 2022 to but excluding July 31, 2023: 1.500%;***

- ***From and including July 31, 2023 to but excluding July 31, 2024: 2.500%;***

- ***From and including July 31, 2024 to but excluding July 31, 2026: 5.000%;***

- ***From and including July 31, 2026 to but excluding July 31, 2027: 5.500%;***

- ***From and including July 31, 2027 to but excluding July 31, 2028: 6.000%;***

- ***From and including July 31, 2028 to but excluding July 31, 2029: 6.500%; and***

- ***From and including July 31, 2029 to but excluding July 31, 2040: 6.900%.***

Interest shall accrue from and including the most recent date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for, from* [the Settlement Date] *to but excluding the date on which payment of said principal sum has been made or duly provided for."

(g) The reference to "June 20, 2024" on paragraph (b) of the Form of Reverse of Notes—Terms and Conditions of the Notes in the Indenture, will be changed to "July 31, 2040."

(h) The first paragraph of Section 2 of the Form of Reverse of Notes—Terms and Conditions of the Notes in the Indenture will be amended as follows:

"The Notes bear interest from* [the Settlement Date] *at the following rates per annum, (the "Rate of Interest") payable in arrears on each January 31 and July 31, commencing on January 31, 2021 (each, an "Interest Payment Date"):

- ***From and including the*** **[Settlement Date]** ***to but excluding July 31, 2021: 0.500%;***

- ***From and including July 31, 2021 to but excluding July 31, 2022: 0.500%;***

- ***From and including July 31, 2022 to but excluding July 31, 2023: 1.500%;***

- ***From and including July 31, 2023 to but excluding July 31, 2024: 2.500%;***

- ***From and including July 31, 2024 to but excluding July 31, 2026: 5.000%;***

- ***From and including July 31, 2026 to but excluding July 31, 2027: 5.500%;***

- ***From and including July 31, 2027 to but excluding July 31, 2028: 6.000%;***

- ***From and including July 31, 2028 to but excluding July 31, 2029: 6.500%; and***

- ***From and including July 31, 2029 to but excluding July 31, 2040: 6.900%.***

provided that, for the avoidance of doubt, no interest has accrued or is past due prior to **[the Settlement Date]*;***

provided further that any Further Notes shall bear interest payable in arrears on each Interest Payment Date, from, and including, the Initial Interest Payment Date, as defined in the Authorization for the relevant Further Notes, subject as provided in paragraph 3 (*Payments and Paying Agents*)."

(i) Paragraph (a) of Section 6 (*Events of Default*) of the Form of Reverse of Notes—Terms and Conditions of the Notes will be deleted and replaced with the following:

"*(a) Non-Payment:* The Republic fails, after the applicable payment date, to ~~(i)~~ make any payment of principal or a Make-Whole Amount on the Notes (unless such non-payment is due to an administrative or technical error and is remedied within five Business Days of the date when such payment is due)~~ or (ii) make any payment of an interest amount or Additional Amount on the Notes on or prior to the Maturity Date~~;"

(j) The following provisions and related defined terms shall be deleted in their entirety from the Indenture, the Form of Face of the Notes and the Form of Reverse of Notes, as applicable, and replacing such provisions with "Reserved" to the extent applicable:

a. Section 7.3 of the Indenture (*Modification in the context of Exchange Offers*);

b. Section 7.4 of the Indenture (*Reopening and New Issuance of Notes*);

c. Section 5 (*Certain Covenants of the Republic*) of the Form of Reverse of Notes—Terms and Conditions of the Notes in the Indenture;

d. Paragraphs (b) through and including (i) of Section 6 (*Events of Default*) of the Form of Reverse of Notes—Terms and Conditions of the Notes in the Indenture; and

e. Item (i) of the last paragraph of Section 6 (*Events of Default*) of the Form of Reverse of Notes—Terms and Conditions of the Notes in the Indenture.

(k) Section 7.1 of the Indenture shall be deleted in its entirety and replaced with the following:

a. "***Section 7.1 Modifications Not Requiring the Consent of Holders***

"***The Republic and the Trustee may, without the vote or consent of any Holder of Notes, agree to any modification, amendment, supplement, request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture or the Terms (each, a "Modification") for the purpose of:***

i. adding to the Republic's covenants for the benefit of the Holders of the Notes;

ii. surrendering any right or power conferred upon the Republic with respect to the Notes;

iii. securing the Notes;

iv. curing any ambiguity or curing, correcting or supplementing any defective provision in the Notes or this Indenture;

v. amending the Notes or this Indenture in any manner which the Republic may determine and which does not materially adversely affect the interests of any Holders of Notes;

vi. amending the authorized denominations of the Notes; or

vii. correcting a manifest error of a formal, minor or technical nature.

Any such technical Modification pursuant to items (i) through (vii) above shall be binding on all Holders of Notes and, unless the Trustee otherwise requires, any such technical Modification shall be notified by the Republic to such Holders Notes as soon as practicable thereafter."

(l) Section 7.2 of the Indenture will be amended as follows:

Section 7.2(a) shall be amended to read as follows "(a) in the case of any Non-Reserved Matter, (i) at any meeting of Holders duly called and held as specified in Article 9 (***Provision for Meetings of Holders***), upon the

affirmative vote, in person or by Proxy thereunto duly authorized in writing, of the Holders of not less than ***50*** % of the aggregate principal amount of the Notes then Outstanding, or (ii) with the written consent of the Holders of not less than ***50***% of the aggregate principal amount of the Notes then Outstanding"

Section 7.2(b) shall not be amended.

A new Section 7.2(c) shall be added and read as follows: "**(c)** ***This Section 7.2 is without prejudice to Sections 7.7 (Reserved Matter Modifications affecting Notes of Multiple Series – Two Limb Voting) and 7.8 (Reserved Matter Modifications affecting Notes of Multiple Series – Single Limb Voting).*****"**

(m) The following new provisions shall be added to the Indenture and read as follows:

(i) "***Section 7.7 Reserved Matter Modifications affecting Notes of Multiple Series – Two Limb Voting***

Without prejudice to the right of the Republic to seek modifications to the Notes as set forth in Section 7.2 (Modifications affecting Notes), if the Republic proposes any Reserved Matter Modification (i) to the terms and conditions of Series of Notes and to the terms and conditions of at least one other Series issued by the Republic, and/or (ii) to this Indenture insofar as it affects a Series of Notes and to any other indenture(s), fiscal agency agreement(s) or similar issuance documentation relating to at least one other series of debt securities insofar as it affects such debt securities (in each case, containing multiple series modification provisions in substantially the same form as in this Indenture), any modification to the terms and conditions of two or more series may be made, and, in each case, further compliance therewith may be waived, with the consent of the Republic, and:

(a) the holders of at least 66$^{2}/_{3}$% of the aggregate principal amount of the outstanding debt securities of all series that would be affected by that Reserved Matter Modification (taken in aggregate); and

(b) the holders of more than 50% of the aggregate principal amount of the outstanding debt securities of each affected series (taken individually).

Any modifications proposed under this paragraph may be made in respect of some series of debt securities only and may be used for different groups of two or more series of debt securities, containing multiple series modification provisions substantially in the same form as in this Indenture, simultaneously.

Any debt securities owned or controlled, directly or indirectly, by the Republic or any Public Sector Instrumentality, which would be disregarded for the purposes of a vote (or written action) under the series of debt securities of which they form part, shall also be disregarded for the purposes of this Section 7.7.

For the purpose of this Section 7.7, each Series of Notes shall be treated as separate series of debt securities."

(ii) "***Section 7.8 Reserved Matter Modifications affecting Notes of Multiple Series – Single Limb Voting***

Without prejudice to the right of the Republic to seek modifications to the Notes as set forth in Section 7.2 (Modifications affecting Notes), if the Republic proposes any Reserved Matter Modification (i) to the terms and conditions of Series of Notes and to the terms and conditions of at least one other Series issued by the Republic, and/or (ii) to this Indenture insofar as it affects a Series of Notes and to any other indenture(s), fiscal agency agreement(s) or similar issuance documentation relating to at least one other series of debt securities insofar as it affects such debt securities (in each case, containing multiple series modification provisions in substantially the same form as in this Indenture), any modification to the terms and conditions of two or more series may be made, and, in each case, further compliance therewith may be waived, with the consent of the Republic, and the holders of at least 75% of the aggregate principal amount of the outstanding debt securities of all series that would be affected by that Reserved Matter Modification (taken in aggregate), provided that the Uniformly Applicable condition is satisfied.

Any modifications proposed under this paragraph may be made in respect of some series of debt securities only and may be used for different groups of two or more series of debt securities, containing multiple series modification provisions substantially in the same form as in this Indenture, simultaneously.

The "Uniformly Applicable" condition will be satisfied if:

(a) the holders of all the affected series of debt securities are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

(b) amendments proposed to the terms and conditions of each affected series of debt securities would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance),

and, for the purposes of establishing whether the Uniformly Applicable condition has been satisfied:

(x) the "same terms" is to be construed as meaning the same offer on principal, the same offer on all interest accrued but unpaid prior to an exchange or event of default and the same offer on past due interest (or other relevant financial features of the applicable debt securities), but any such offer may contain differences as between different series of affected debt securities which are necessary having regard to the currency of denomination; and

(y) the Republic shall promptly furnish one or more Officer's Certificate(s) to the Trustee, certifying that the Uniformly Applicable condition has been satisfied, and the Trustee shall be entitled to accept such Officer's Certificate(s) as conclusive evidence of the facts therein set forth.

Any debt securities owned or controlled, directly or indirectly, by the Republic or any Public Sector Instrumentality, which would be disregarded for the purposes of a vote (or written action) under the series of debt securities of which they form part, shall also be disregarded for the purposes of this Section 7.8.

For the purpose of this Section 7.8, each Series of Notes shall be treated as separate series of debt securities of the Republic."

(iii) "***For the purpose of calculating the par value of a Series of Notes and any affected series of debt securities which are to be aggregated with such Series of Notes in accordance with Sections 7.7 (Reserved Matter Modifications affecting Notes of Multiple Series – Two Limb Voting) and/or 7.8(Reserved Matter Modifications affecting Notes of Multiple Series – Single Limb Voting), the Republic may appoint a calculation agent (the "Calculation Agent"). The Republic shall, with the approval of the Calculation Agent, promulgate the methodology in accordance with which the par value of such Series of Notes and such affected series of debt securities will be calculated. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for applicable Series of Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.***

If any series of affected debt securities are denominated in a currency other than U.S. dollars, the Republic shall appoint a single Calculation Agent who shall specify a commercially reasonable method for determining the U.S. dollar equivalent of such debt securities for purposes of voting pursuant to Section 7.7 (Reserved Matter Modifications affecting Notes of Multiple Series – Two Limb Voting) and/or 7.8 (Reserved Matter Modifications affecting Notes of Multiple Series – Single Limb Voting).

In connection with Section 7.7 (Reserved Matter Modifications affecting Notes of Multiple Series – Two Limb Voting) and 7.8 (Reserved Matter Modifications affecting Notes of Multiple Series – Single Limb Voting), the Republic shall appoint an aggregation agent (the "Aggregation Agent") (who may also be the Calculation Agent) to calculate whether a Reserved Matter Modification has been approved by the required principal amount of the outstanding debt securities of the affected series of debt securities. The Aggregation Agent shall be independent of the Issuer. The Trustee shall be entitled to conclusively rely upon any certification delivered by an Aggregation Agent pursuant to this Section 7.9."

(n) Section 8.2(a) shall be amended to read in its entirety as follows:

"Upon approval of a Modification pursuant to Section 7.2, ***7.7(Reserved Matter Modifications affecting Notes of Multiple Series – Two Limb Voting) or 7.8***

(Reserved Matter Modifications affecting Notes of Multiple Series – Single Limb Voting), as the case may be, the Republic and the Trustee may, from time to time and at any time, enter into an indenture or indentures supplemental hereto for the purpose of changing in any manner or eliminating any of the provisions of this Indenture (or the Terms) pursuant to such approved Modification."

(o) Section 9.2(a) shall be amended to read in its entirety as follows:

"To be entitled to vote at any meeting of Holders, a Person shall be (i) a Holder of one or more Outstanding Notes or (ii) a Person appointed by an instrument in writing as Proxy for such Holder. The only persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel, the Trustee and its counsel and any representatives of the Republic and its counsel. At any meeting of Holders, other than a meeting to discuss and act upon a Reserved Matter, the Persons entitled to vote a Majority in aggregate principal amount of the Outstanding Notes shall constitute a quorum, and at the reconvening of any such meeting adjourned for a lack of a quorum, the persons entitled to vote 25% in aggregate principal amount of the Outstanding Notes shall constitute a quorum for the taking of any action set forth in the notice of the original meeting. At any meeting of Holders held to discuss and take action upon a Reserved Matter, the persons entitled to vote 75% in aggregate principal amount of the Outstanding Notes shall constitute a quorum**, provided that any meeting in respect of a Reserved Matter Modification (or any matter related thereto) as referred to in Sections 7.7 (*Reserved Matter Modifications affecting Notes of Multiple Series – Two Limb Voting*) and 7.8 (*Reserved Matter Modifications affecting Notes of Multiple Series – Single Limb Voting*) shall not require a quorum**. The Trustee may make such reasonable and customary regulations, not inconsistent with this Indenture and the Terms, as it shall deem advisable for any meeting of Holders with respect to the appointment of Proxies in respect of such Holders, the record date for determining the Holders who are entitled to vote at such meeting (which date shall be set forth in the notice calling such meeting hereinabove referred to and which shall be not less than ten nor more than 60 days prior to such meeting), the adjournment and chairmanship of such meeting, the appointment and duties of inspectors of votes, the submission and examination of Proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate.

(p) In Section 25(b)(ii) of the Terms and Conditions of the Reverse of the Notes, the two references to "not less than 66 2/3" shall be amended to "***greater than 50***" in conformance with the amendment to Section 7.2(a) of the Indenture herein.

SECTION 3. From and after the Consent Completion Event and without any further action by any party hereto, any provision contained in each Global Note representing the Notes that relates to the sections in the Indenture that are amended pursuant to [Section 1 and Section 2] hereof shall likewise be amended so that any such provision contained in such Global Note will conform to and be consistent with the Indenture, as

amended by this Supplemental Indenture.

SECTION 4. This Supplemental Indenture shall become effective on the Republic, the Trustee, the Paying Agents and each Holder of the Notes upon the execution and delivery by the parties hereto. However, this Supplemental Indenture shall become operative and binding on the Republic, the Trustee, the Paying Agents and each Holder of the Notes at such time as each of the following events shall have occurred: (i) the Republic shall have completed (and not terminated) the Consent Solicitation in accordance with the terms and conditions set forth in the Invitation Memorandum, and (ii) each Holder of Notes who has delivered its consent and whose consent has been accepted by the Republic pursuant to the Consent Solicitation shall have received a proportional principal amount as set forth in the Invitation Memorandum of bonds due 2030 (the "**New 2030 Bond**"), bonds due 2035 (the "**New 2035 Bond**"), bonds due 2040 (the "**New 2040 Bond**"), bonds due 2030 (the "**New PDI 2030 Bond**", and together with the New 2030 Bond, the New 2035 Bond and the New 2040 Bond, the "**New Securities**") on the Notes as set forth in the Invitation Memorandum (such date, the "***Consent Completion Event***").

SECTION 5. The modifications contained in Section 1 and 2 of this Supplemental Indenture shall be conclusive and binding upon all Holders of Notes, whether or not they have given their consents pursuant to the Consent Solicitation, and on all future Holders of Notes, whether or not notation of such modifications, amendments or waivers is made upon such Notes, in accordance with Section 25 of the Terms and Conditions of the Reverse of the Notes.

SECTION 6. Except as expressly amended hereby, the Indenture and the Notes are in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall not in any way be affected or impaired thereby and such provision shall be ineffective only to the extent of such invalidity, illegality or unenforceability.

SECTION 7. This Supplemental Indenture may be executed in one or more counterparts, and by the parties hereto in separate counterparts, each of which when executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Supplemental Indenture by electronic signature (including facsimile or such other electronic means) shall be as effective as delivery of a manually executed counterpart hereof.

SECTION 8. Sections 11.7 (*Jurisdiction of Disputes Involving the Republic*) and 11.10 (*Applicable Law*) of the Indenture shall apply *mutatis mutandis* to this Supplemental Indenture as if set out herein.

SECTION 9. The Trustee accepts the amendment of the Indenture effected by this Supplemental Indenture and agrees to execute the trust created by the Indenture as hereby amended, but only upon the terms and conditions set forth in the Indenture, including the terms and provisions defining and limiting the liabilities and responsibilities of the Trustee, which terms and provisions shall in like manner define and limit its liabilities and responsibilities in the performance of the trust created by the Indenture as hereby amended. Without limiting the generality of the foregoing, the Trustee shall not be responsible in any manner whatsoever for or with respect to any of the recitals or statements contained herein, all of which recitals or statements are made solely by the Republic, or for or with respect to (i) the validity, efficacy or sufficiency of this Supplemental Indenture or any of the terms or provisions hereof; (ii) the proper authorization hereof by the Republic by government action or otherwise; or (iii) the due execution hereof by the Republic and the Trustee makes no representation with respect to any such matters.

[*Signature page follows*]

IN WITNESS WHEREOF the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first written above.

THE REPUBLIC OF ECUADOR
acting through its Ministry of Economy and Finance

By:_____
Name:
Title:

THE BANK OF NEW YORK MELLON,
as Trustee

By:_____
Name:
Title:

Attachment

ISSUER

The Republic of Ecuador

INFORMATION, TABULATION AND EXCHANGE AGENT

Global Bondholder Services Corporation
65 Broadway – Suite 404
New York, New York 10006
Attn: Corporate Actions
Banks and Brokers call: (212) 430-3774
Toll free (866)-470-3800
By facsimile:
(For Eligible Institutions only): (212) 430-3775/3779
Confirmation: (212) 430-3774
Email: contact@gbsc-usa.com

INDENTURE TRUSTEE

The Bank of New York Mellon
240 Greenwich Street, Floor 7E
New York, NY 10286
United States

DEALER MANAGER

Citigroup Global Markets Inc.
388 Greenwich Street, 7th Floor
New York, New York 10013
United States
Attention: Liability Management Group
Toll Free: (800) 558-3745
Collect: (212) 723 6106
Email: ny.liabilitymanagement@citi.com

LEGAL ADVISORS

To the Republic as to U.S. law:
Hogan Lovells US LLP
390 Madison Avenue
New York, New York 10017
United States

To the Republic as to Ecuadorian law:
Coordinación General Jurídica
Ministerio de Economía y Finanzas
Av. Amazonas entre Pereira y Unión Nacional de Periodistas
Plataforma Gubernamental de Gestión Financiera,
Pisos 10 y 11
Quito, Ecuador

To the Dealer Manager as to U.S. law:
Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
United States

To the Dealer Manager as to Ecuadorian law:
Pérez Bustamante & Ponce
Av. República de El Salvador N36-140
Edificio Mansión Blanca
Quito, Ecuador

The Republic of Ecuador

The Information, Tabulation and Exchange Agent for the Invitation is:

Global Bondholder Services Corporation

65 Broadway – Suite 404
New York, New York 10006
Attn: Corporate Actions

Banks and Brokers call: (212) 430-3774
Toll free (866)-470-3800
By facsimile:
(For Eligible Institutions only): (212) 430-3775/3779
Confirmation: (212) 430-3774

Email: contact@gbsc-usa.com

Invitation Website: https://www.gbsc-usa.com/ecuador/

The Dealer Manager for the Invitation is:

Citigroup

July 20, 2020