OFFERING CIRCULAR

The Republic of El Salvador
US$1,000,000,000
9.250% Notes due 2030
and
Macro Variable Interest Only Step-Up Notes

The Republic of El Salvador (the "Republic" or "El Salvador") is offering (i) US$1,000,000,000 aggregate principal amount of its 9.250% Notes due 2030 (the "2030 Notes") and (ii) Macro Variable Interest Only Step-Up Notes (the "Interest Only Notes" and, together with the 2030 Notes, the "Notes"). Interest on the Notes will be payable semi-annually in arrears on April 17 and October 17 of each year commencing on October 17, 2024. To purchase Notes in the offering, a potential holder will be required to buy an amount of 2030 Notes and an amount of Interest Only Notes such that the principal amount of the 2030 Notes is the same as the reference notional amount of the Interest Only Notes.

The principal amount of the 2030 Notes will be payable in three installments (i) 33% of the original principal amount on April 17, 2028 (the "2030 Notes First Principal Payment Date"), (ii) 33% of the original principal amount on April 17, 2029 (the "2030 Notes Second Principal Payment Date"), and (ii) the remaining principal amount on April 17, 2030 (the "2030 Notes Maturity Date"). The Republic may redeem the 2030 Notes, in whole or in part, at any time or from time to time prior to the 2030 Notes Maturity Date, at the redemption prices set forth in "Description of the Notes—Optional Redemption of the 2030 Notes".

The Interest Only Notes will be interest only notes with interest accruing with respect to the reference notional amount of such Interest Only Notes, with the last interest payment due on April 17, 2030 (the "Interest Only Notes Last Interest Payment Date"). The reference notional amount of the Interest Only Notes (the "Reference Notional Amount") issued on the issue date will be equal to the principal amount of 2030 Notes issued on the issue date. The Reference Notional Amount of an Interest Only Note shall be reduced by (i) 33% of the original Reference Notional Amount of such Interest Only Note on April 17, 2028 (if an aggregate principal amount of 2030 Notes equal to 33% of the original aggregate principal amount of the 2030 Notes are repaid on such date or the 2030 Notes were fully purchased by the Republic), and (ii) 33% of the original Reference Notional Amount of such Interest Only Note on April 17, 2029 (if an aggregate principal amount of 2030 Notes equal to 33% of the original aggregate principal amount of the 2030 Notes are repaid on such date or the 2030 Notes were fully purchased by the Republic). Holders of the Interest Only Notes will not be entitled to payment of the Reference Notional Amount. The Interest Only Notes will bear interest for each interest period (i) from, and including, the issue date of the Interest Only Notes until the 6 month-interest period ending on October 17, 2025, at an initial rate of 0.25% per annum (the "Interest Only Notes Initial Rate") and (ii) from, and including, October 17, 2025, to, but excluding, the Interest Only Notes Last Interest Payment Date, at a rate of 0.25% or 4% per annum depending on the Republic's satisfaction (or failure to satisfy) the Macro Test (as defined below), as further described herein. Beginning with the interest period commencing on October 17, 2025, and ending on, but excluding, April 17, 2026 (the "Interest Only Notes First Macro Test Period"), and for each interest period thereafter through the interest period commencing on, and including, October 17, 2029, and ending on, but excluding, the Interest Only Notes Last Interest Payment Date (the "Interest Only Notes Last Macro Test Period"), (i) if the Macro Test is satisfied by the Republic on the date 10 Business Days (as defined below) prior to the first day of each such interest period (the "Measurement Date"), the interest rate on the Reference Notional Amount of the Interest Only Notes payable for such interest period shall be 0.25%, and (ii) if the Macro Test for such interest period is not satisfied by the Republic on the applicable Measurement Date, the interest rate on the Reference Notional Amount of the Interest Only Notes payable for such interest period shall be 4%. The macro test (the "Macro Test") shall consist of the satisfaction by the Republic of either (i) the IMF Condition (as defined below) or (ii) the Ratings Condition (as defined below) on the applicable Measurement Date. The Macro Test will be performed on the applicable Measurement Date for each interest period beginning with the Interest Only Notes First Macro Test Period and for each interest period thereafter until the Interest Only Notes Last Macro Test Period, irrespective of whether the Republic has satisfied or failed to satisfy the Macro Test on any prior Measurement Date, as further described herein. The IMF Condition consists of the Executive Board of the International Monetary Fund (the "IMF") having completed at least one review, or granted approval, of an IMF Stand-by Arrangement (SBA) or Extended Fund Facility (EFF) for the Republic during the six months prior to, and including, the applicable Measurement Date. The Ratings Condition consists of at least two of (i) Moody's Investors Service Inc. ("Moody's), (ii) Standard & Poor's Ratings Group ("S&P"), and (iii) Fitch Ratings ("Fitch" and, together with

Moody's and S&P, the "Rating Agencies") having assigned a rating to the long-term foreign currency senior unsecured external debt of the Republic of B2 (in the case of Moody's), B (in the case of S&P) or B (in the case of Fitch) (without regard for any ratings watch or outlook) as of the applicable Measurement Date. Under the indenture governing the Interest Only Notes, the Republic will commit to have at least two of the Rating Agencies rate its long-term foreign currency senior unsecured external debt (including the 2030 Notes) so long as the Interest Only Notes are outstanding. The Republic may redeem the Interest Only Notes at any time prior to the Interest Only Notes Last Interest Payment Date, at the redemption prices set forth in "Description of the Notes—Optional Redemption of the Interest Only Notes".

This offering circular constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus securities dated July 16, 2019. We intend to apply to list the Notes on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market.

The 2030 Notes will contain "collective action clauses". Under these provisions, which differ from the terms of the Republic's Public External Indebtedness issued prior to February 28, 2017, the Republic may amend the payment provisions of the Notes and other reserved matters listed in the indenture governing the Notes with the consent of the holders of: (1) with respect to a single series of notes, more than 75% of the aggregate principal amount of the outstanding notes of such series; (2) with respect to two or more series of notes, if certain "uniformly applicable" requirements are met, more than 75% of the aggregate principal amount of the outstanding notes of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of notes, more than 66 2/3% of the aggregate principal amount of the outstanding notes of all series affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the notes of each series affected by the proposed modification, taken individually. The Interest Only Notes will be issued under a separate indenture without such "collective action clauses" but with a voting mechanism for consents and amendments of certain reserved matters set by reference to 75% of the Reference Notional Amount of the Interest Only Notes outstanding.

See "Risk Factors" beginning on page 11 regarding certain risk factors you should consider before investing in the Notes.

Price:

2030 Notes: 89.923% of the principal amount of the 2030 Notes**,** plus accrued interest, if any, from April 17, 2024.

Interest Only Notes: **0.916**% of the reference notional amount of the Interest Only Notes, plus accrued interest, if any, from April 17, 2024.

Aggregate Price to Public: **90.839**%

Delivery of the Notes will be made on or about April 17, 2024.

The Notes have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"). The Notes may not be offered or sold within the United States or to U.S. persons except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act and to certain persons in offshore transactions in reliance on Regulation S under the Securities Act. You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A under the Securities Act.

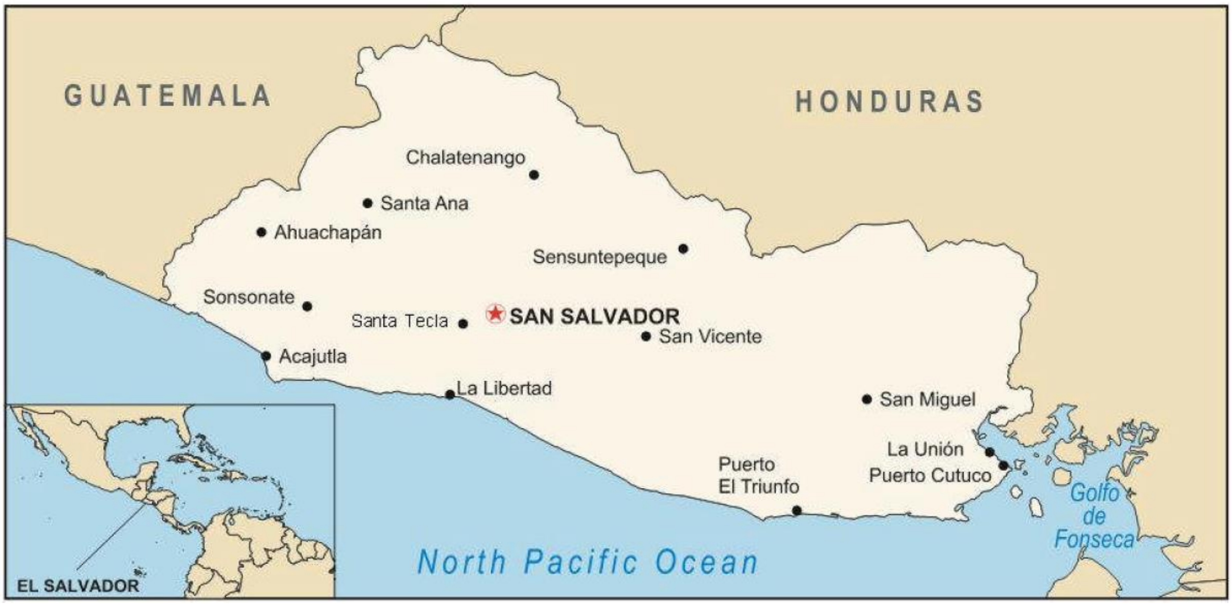
The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or the UK. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (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. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the UK 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.

Sole Book-Running Manager

BofA Securities

The date of this offering circular is April 11, 2024.

El Salvador


GUATEMALA
HONDURAS
Chalatenango
Santa Ana
Ahuachapán
Sensuntepeque
Sonsonate
Santa Tecla
SAN SALVADOR
San Vicente
Acajutla
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de
Fonseca
North Pacific Ocean
EL SALVADOR

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IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE REPUBLIC AND THE TERMS AND CONDITIONS OF THE OFFERING, INCLUDING THE MERITS AND THE RISKS INVOLVED.

The Republic is responsible only for the information contained in this document or to which it has referred you. The Republic has not, and BofA Securities, Inc. (the "Initial Purchaser") have not, authorized anyone to provide you with information that is different from the information contained in this document. The Republic is offering to sell the Notes only in jurisdictions where offers and sales are permitted. The offer and sale of the Notes in certain jurisdictions is subject to restrictions described herein under "Plan of Distribution." The information contained in this document, or to which the Republic has referred you, is accurate only as of the date of such documents, regardless of the time of delivery of such documents or any sales of Notes.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS—The Notes 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 the European Economic Area ("EEA"). 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"); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS—The Notes 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 the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement Directive 2016/97/EU, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended) as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This Offering Circular is only being distributed to and is only directed at: (i) persons who are outside the United Kingdom; or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"); or (iii) high net worth entities, or other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The Notes will only be available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Offering Circular or any of its contents.

This Offering Circular may only be used for the purposes for which it has been published.

PRESENTATION OF INFORMATION

Unless otherwise specified or the context requires, references to "US dollars", "$" and "US$" are to United States dollars, references to the *"colón", "colones"* and "¢" are to Salvadoran *colones*, and references to "*euros*" and "€" are to Euros.

References to the "Republic" and "El Salvador" are to the Republic of El Salvador.

References to "FOB" are to exports free on board and to "CIF" are to imports including cost, insurance and freight charges.

Data identified as "preliminary" in the tables included in this offering circular reflects an interim calculation and are subject to change.

References to "*maquila"* are to the assembly of imported goods for re-export.

References to "Central America" and "Central American countries" are to El Salvador, Costa Rica, Guatemala, Honduras and Nicaragua.

Certain economic and financial data in this offering circular are derived from information previously published by *Banco Central de Reserva de El Salvador* (the "Central Bank") and other Governmental entities of El Salvador. These data are subject to updates and change in subsequent publications. As of March 2018, the Central Bank updated the base year of the National Account Statistics from 1990 to 2005 and adopted the main recommendations of the United Nations System of National Accounts ("SNA2008"). The disclosure of the SNA2008 figures for El Salvador will be made public subject to the dissemination process of the Government.

Certain other information in this offering circular is derived from information made publicly available by the United Nations, the International Monetary Fund (IMF) and the World Bank.

References to "net international reserves" are to foreign currency reserves. The term "current account surplus (deficit)" as applied to the balance of payments includes foreign aid, unless otherwise specified.

Certain amounts included in this offering circular have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

FORWARD-LOOKING STATEMENTS

This offering circular 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 which 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 are principally contained in the sections "Offering Circular Summary", "The Republic of El Salvador", "The Salvadoran Economy", "Foreign Trade and Balance of Payments", "Monetary System", "Public Sector Finances" and "Public Debt". In addition, in those and other portions of this offering circular, 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. Such statements reflect the current views of the Republic with respect to future events and are subject to certain risks, uncertainties and assumptions. The Republic undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, there can be no assurances that the events described or implied in the forward-looking statements contained in this offering circular will in fact occur or, if they occur, that they will do so in the expected timeline or have the expected implications and/or consequences.

ARBITRATION AND ENFORCEABILITY

The Republic is a foreign sovereign state. Consequently, it may be difficult for investors to obtain or realize upon judgments in the courts of the United States. Under its Constitution, the Republic is not permitted to consent to jurisdiction of the courts of any foreign jurisdiction. The Republic has not consented to the jurisdiction of any court outside El Salvador in connection with actions arising out of or based on the Notes or in connection with the enforcement of any judgment arising out of such actions, nor has the Republic appointed an agent for service of process outside El Salvador. The Republic has agreed to the following arbitration provisions as part of the terms and conditions of the Notes:

- Any dispute, controversy or claim arising out of or relating to the Notes (other than any action arising out of or based on the United States federal or state securities laws), including the performance, interpretation, construction, breach, termination or invalidity thereof, shall be finally settled by arbitration in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (excluding Article 26 thereof) as in effect on the date of the Indenture (the "UNCITRAL Arbitration Rules"). The number of arbitrators shall be three, to be appointed in accordance with Section II of the UNCITRAL Arbitration Rules. The appointing authority shall be the Chairman of the International Court of Arbitration of the International Chamber of Commerce. The third arbitrator may be (but need not be) of the same nationality as any of the parties to the arbitration. The place of arbitration shall be New York, New York. The language to be used in the arbitration proceedings shall be English. Any arbitral tribunal constituted under this paragraph shall make its decisions entirely on the basis of the substantive law of the State of New York.

- The decision of any arbitral tribunal shall be final to the fullest extent permitted by law, and a court judgment may be entered thereon by any Salvadoran court lawfully entitled to enter such judgment. In any arbitration or related legal proceedings for the conversion of an arbitral award into a judgment, the Republic will not raise any defense that it could not raise but for the fact that it is a sovereign state. The Republic has not consented to the jurisdiction of any court outside El Salvador in connection with actions arising out of or based on the Notes or in connection with the enforcement of any judgment arising out of such actions, nor has the Republic appointed an agent for service of process outside El Salvador. The Republic waives any *forum non conveniens* defense in any proceeding in El Salvador.

- No arbitration proceedings hereunder shall be binding upon or in any way affect the right or interest of any person other than the claimant or respondent with respect to such arbitration.

- The Republic's consent to arbitration shall not preclude a holder of any Note from instituting legal proceedings against the Republic in the courts of El Salvador.

The Republic has represented that it has no right to immunity on the grounds of sovereignty or otherwise, from the execution of any judgment in El Salvador, or from the execution or enforcement in El Salvador of any arbitral award (except, in each case, for the limitation on alienation of public property) in respect of any proceeding or any other matter arising out of or relating to its obligations contained in the Notes. The enforcement by a Salvadoran court of a foreign arbitral award is subject to recognition by the *Corte Suprema de Justicia* (the "Supreme Court") of the Republic, which will recognize such award if all of the required formalities are observed and the award does not contravene Salvadoran national sovereignty, constitutional rights or public policy and compliance with the obligations stated in the award is lawful in El Salvador and it is not under one of the refusal grounds set by the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, to which El Salvador is party, or the Mediation, Settlement and Arbitration Law of El Salvador. Under the laws of the Republic, public property *(bienes de uso público)* of the Republic located in El Salvador is not subject to execution or attachment, either prior to or after judgment. The execution of a judgment against the Republic in El Salvador is only available in accordance with Article 182 ordinal 4 of the Constitution of the Republic of El Salvador and the procedures set forth in Articles 555 to 558 and 590 *et seq*. of the Salvadoran Civil and Business Procedure Code; pursuant to Article 590, if the budget of the fiscal year in which a final judgment is issued is not adjusted to provide for payment of the judgment, registration of the judgment for inclusion in the budget of a subsequent fiscal year of the Republic is required for payment.

Original actions predicated upon non-Salvadoran securities laws may be brought in Salvadoran courts and, subject to Salvadoran rules of international private law, public policy, public morality and national sovereignty, Salvadoran courts may enforce civil liabilities in such actions against the Republic, provided that, in order to ensure the effectiveness and/or enforceability of any foreign agreement or document in the courts of El Salvador, such agreement shall be duly notarized and legalized with apostille, and translated into Spanish in an official translation. The indenture and Notes will not be notarized or apostilled.

EXCHANGE RATE INFORMATION

On November 30, 2000, the Legislative Assembly approved the *Ley de Integración Monetaria* (the "Monetary Integration Act"), which fixed the *colón* to the US dollar at ¢8.75 to US$1.00, effective January 1, 2001. Since January 1, 2001, the colón/US dollar exchange rate has been fixed at ¢8.75/US$1.00 pursuant to the Monetary Integration Act. The Monetary Integration Act allows free circulation of the US dollar in the Salvadoran economy and makes the US dollar the unit of account for the financial system in El Salvador. Currency conversions contained in this offering circular should not be construed as representations that colones have been, could have been or could be converted into US dollars at the indicated or any other rate of exchange.

On June 9, 2021, the Bitcoin Law was enacted which provided for Bitcoin to be legal tender in El Salvador. The exchange rate between the US dollar will be established by the free market and all prices in El Salvador can be presented in Bitcoin. Further, all tax and fiscal payments may be made in Bitcoin and exchanges in Bitcoin are exempt of capital gains tax. The US dollar remains as the reference currency for accounting provisions. Pursuant to the Bitcoin Law, all economic agents must accept Bitcoin when offered by the acquirer or purchaser of a good or service and all existing obligations denominated in U.S. dollar can be repaid in Bitcoin.

SUMMARY

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 offering circular.

The Republic of El Salvador

General

El Salvador is geographically the smallest and the most densely populated of the six Central American countries, encompassing 8,124 square miles (21,041 square kilometers). El Salvador is bounded on the south by 190.8 miles of Pacific Ocean coastline, on the northwest by Guatemala and on the northeast and east by Honduras. In the north, the Sierra Madre mountains rise to over 9,000 feet above sea level. There are 23 active volcanoes in the country, six of which are frequently monitored for seismic activity. The most recent major volcanic eruption was in 1946. Minor volcanic eruptions occurred in 2005, 2013, 2014, 2015, 2016 and 2022.

In 2022, El Salvador's population was estimated at 6.3 million according to the National Statistics and Census Bureau, a division of the Central Bank. Approximately 61.7% of this population resided in urban areas and 38.3% resided in rural areas. According to data maintained by the Global Knowledge Partnership on Migration and Development (KNOMAD), in 2021 the country had 1,603,924 emigrants, equivalent to approximately 25% of its population. The distribution of emigrants between women and men is relatively similar (50.28% women versus 49.71% men). Ninety percent of them reside in the United States, which has become the main migratory destination.

El Salvador is a republic and its form of government is a representative democracy, with powers divided among executive, legislative and judicial branches. Elections are held every five years for president and vice president and every three years for members of the single house of the legislative assembly (the "Legislative Assembly") and local governments. All Salvadoran citizens 18 years or older are entitled to vote. As part of the implementation of democratic reforms under the Peace Accord, there has been a major effort to improve voter identification and registration.

Executive authority is vested in the president and vice president and 16 cabinet ministers. Cabinet ministers are appointed, and may be removed at will, by the president. The president may propose legislation to the Legislative Assembly through his or her cabinet members and has veto power over legislation, which may be overridden by a two-thirds vote of the Legislative Assembly. On February 3, 2019, presidential elections were held and Nayib Armando Bukele Ortez of the Grand Alliance for National Unity (*Gran Alianza por la Unidad Nacional*, "GANA") party was elected president with approximately 53.1% of the vote, avoiding a runoff and taking office on June 1, 2019. Under his administration, President Bukele created the Ministry of Housing and the Ministry of Local Development. Creation of ministries requires the approval of the Legislative Assembly, due to budgetary restrictions.

President Bukele announced in September 2022 his intention to seek reelection in the 2024 national elections. Certain provisions of El Salvador's Constitution purport to prohibit presidents from serving consecutive terms. The Supreme Court of El Salvador, however, ruled in 2021 that a second consecutive term was permissible. This decision drew criticism from politicians, human rights groups and other commentators. President Bukele's candidacy for president in the 2024 presidential elections, as a member of the *Nuevas Ideas* party, was then accepted by the electoral authorities. President Bukele was reelected in the February 4, 2024 presidential elections for another five-year term. He garnered 2,701,725 valid votes in the election, which represented 84.7% of the total valid vote count.

Salvadorans abroad make a significant contribution to the Republic's economy through remittances to their families in El Salvador. Remittances totaled US$5,631.1 million in 2019, US$5,910.7 million in 2020, US$7,530.4 million in 2021 and US$7,747.0 million in 2022, representing 20.9%, 23.7%, 25.9% and 24.2% of GDP, respectively. Remittances totaled, US$9,076.5 million in 2023, representing 26.7% of the GDP.

The Salvadoran Economy

The Salvadoran economy depends largely on the services sector, which amounted to US$21,671.1 million and represented 63.7% of the nominal GDP in 2023. The services sector generated on average 69.6% of the country's nominal GDP annually during the period from 2019 through 2023 and grew at an average annual rate of 3.1% during the same period in real terms. The services sector is made up of seventeen economic activities: supply of electricity, gas, steam and air conditioning; water supply, sewage and waste management; wholesale and retail trade, repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities; information and communication; financial and insurance activities; real estate activities; professional, scientific and technical activities; administrative and support services activities; public administration and defense; mandatory social security; education; human health and social work activities; arts, entertainment and recreation; other service activities; and domestic service activities.

The industrial sector has also contributed to the growth of El Salvador in recent years. In 2023, the industrial sector contributed US$7,060.8 million to nominal GDP and represented 20.8% of El Salvador's nominal GDP, compared to US$5,786.3 million and 21.5%, respectively, in 2019. The sector has expanded from 2019 to 2023 by an average annual rate of 0.8%. The industrial sector grew, in real terms, by 3.9%, (15.0%), 10.3%, 2.3% and 2.8% in 2019, 2020, 2021, 2022 and 2023, respectively. The industrial sector is made up of manufacturing and construction activities.

On average, during the period from 2019 through 2023, the primary sector represented 5.2% of nominal GDP and decreased at an average real annual rate of 0.3% during the same period. In 2023, the primary sector represented 4.9% of nominal GDP, equivalent to approximately US$1,652.7 million dollars. The primary sector is made up of agricultural, livestock, forestry and fishing activities, and mining and quarrying activities.

Gross Domestic Product

Real GDP growth in El Salvador averaged 2.6% annually between 2019 and 2023. Total consumption increased in real terms by an average of 2.2% annually during the same period, mainly due to an average annual increase of 4.0% in public consumption and an average annual increase of 1.8% in private consumption. Gross fixed capital formation increased in real terms by an average of 7.5% annually between 2019 and 2023. This was mainly due to an 8.6% average annual increase in private investment and a 2.0% average annual increase in investment public for the same period. Among the key factors that influenced economic activity during the 2019-2023 period were the impact of the COVID-19 pandemic, which temporarily paralyzed some economic activities and resulted in an economic contraction in 2020. Subsequently in 2021, the economy recovered due to strategies implemented and led by the government, such as teleworking and online education services. Other measures included strategies to promote private investment and tourism, the Vaccination Plan against COVID-19, increased public investment for infrastructure works, the application of anti-inflationary measures for specific products, the delivery of basic food baskets to families through the Health Emergency Program and development of the different phases of the Public Safety Plan. Real GDP continued its growth trajectory in 2022 due in significant part to strategies and measures taken by the Government to stimulate particular sectors of the economy, such as tourism, the continuation of anti-inflationary activities, the implementation of measures to combat violence and other criminal activity perpetrated by gangs, which has contributed to improved public security, stimulated commercial activity and facilitated private investment, as well as the development of a public infrastructure strategy. Real GDP grew in 2023 by 3.5% principally as a result of improved public security, which has stimulated the construction and tourism sectors.

Foreign Trade and Balance of Payments

For the period 2019-2023, exports registered an average annual growth rate of 3.4%. In 2019, exports were similar to those of the previous year. The main increases were reflected in food products (in the amount of US$66.3 million), followed by paper products (in the amount of US$28.8 million) and pharmaceutical products (in the amount of US$26.6 million). In 2020, exports decreased by18.6% as a result of a decrease in external demand related to the COVID-19 crisis. In 2021, exports recovered, growing by 33.1%. The main sectors driving this growth were increases in clothing exports (in the amount of US$562.0 million) and *maquila* exports (in the amount of US$260.8 million). In 2022, export activity continued to grow by 11.3%, with increases in exports of *maquila* products (in the amount of US$125.7 million), food products (in the amount of US$104.4 million) and rubber and plastic products (in the amount of US$107.2 million). In 2023, exports decreased by 8.7% due to a decrease in external demand from the textile and clothing market, which were partially offset by increases in food products (in the amount of US$71.2 million), electricity supply (in the amount of US$34.7 million) and the manufacturing of metals (in the amount of US$32.1 million).

Between 2019 and 2023, imports of goods recorded an average growth rate of 8.6%, increasing from US$11,602.1 million in 2019 to US$15,648.3 million in 2023. Imports of goods decreased by 14.8% in 2020 due to a decline in domestic demand related to the COVID-19 crisis and related shutdown. Imports of goods also decreased by 8.5% in 2023, mainly due to high levels of inventory. Imports of goods increased by 1.2%, 47.8% and 17.0% in 2019, 2021 and 2022, respectively. The increase in 2021 was due mainly to an increase in prices related to the COVID-19 pandemic and related shutdown. The increase in 2022 was due mainly to an increase in prices resulting from global logistical issues and shortages of certain products as a result of the Russian invasion of Ukraine.

For the period 2018-2022, the deficit in the balance of goods account presented an average annual growth rate of 14.6%. Exports of goods reached a growth of 4.2% and imports grew by 10.0%. This period was highly influenced by the effects of the health crisis caused by COVID-19, which began in 2020. The current account deficit of the balance of payments increased from 3.3% of nominal GDP in 2018 to 6.6% of nominal GDP in 2022. During the period, the deficits in the goods and primary income accounts increased and the surpluses in the services and secondary income accounts also increased.

Monetary System

The Central Bank was created in 1934 and reorganized in 1991 with the objectives of controlling inflation, preserving the internal and external value of the national currency and maintaining adequate levels of liquidity in the financial system. The Central Bank is prohibited from financing, directly or indirectly, the Government or any state-owned entities, or from investing in securities issued by any of them. In February 2011, the Central Bank's governing law was amended to grant it the responsibility of acting as lender of last resort to extend credit to banks in the case of extraordinary withdrawals from the banking system.

The Central Bank is an independent and autonomous institution led by a board of directors made up of the President and Vice-president of the Central Bank as well as five full-term directors with their alternates, named for a period of five years and only removable for cause. Two of the directors are nominated by the Ministers of Finance and Economy, while the other three are nominated by the private sector, professional guilds and private universities. The President of the Republic appoints the directors from the list of nominees.

The entities participating in the financial system in El Salvador include commercial banks (including two state-owned banks), insurance companies, one state-owned development bank, broker/dealers, one securities depository, five operating rating agencies, bonded warehouses, financial leasing companies, the El Salvador Stock Exchange, DGI, pension fund administrators, investment fund managers and securitization companies.

Public Sector Finances

The Government's fiscal policy aims to maintain macroeconomic stability by improving methods of tax collection, prioritizing public spending with an emphasis on education, health and public safety, and doing so without negatively impacting other investment projects and the current debt management strategy.

With this in mind, the 2020 fiscal policy was aimed at counteracting the recessionary effects caused by the COVID-19 pandemic. In response to this emergency, the 2020 fiscal policy reallocated resources from the 2020 General Budget, and sought additional external and internal financing, to put towards the remodeling and equipping of the healthcare system, including public hospitals and purchases of vaccines. The 2020 fiscal policy also sought to revitalize the economy by creating lines of credit for micro and small businesses and granting subsidies to businesses, among other measures.

In 2021, the fiscal policy continued to address the economic decline experienced in 2020. The economy registered growth of 11.2%, which was reflected in an improvement in various fiscal indicators. In 2022, in response to the impacts caused by the worldwide increases in fuel and food prices, the Government's fiscal policy sought to address inflation through various measures.

The Government's fiscal policy for 2023 and the medium-term perspectives aim to strengthen public finances which were adversely by the pandemic. The policy also focused on fiscal consolidation, with the main priorities being restoring macroeconomic balance and long-term fiscal sustainability by strengthening tax revenues and reallocating spending to focus on the provision of basic services, including education, health and security, to the general population.

In 2019, the non-financial public sector, excluding pensions, registered a deficit of US$479.4 million, equivalent to 1.8% of GDP, an increase of 0.5 percentage points compared to 2018. In 2019, including pension obligations, the fiscal deficit increased to US$824.9 million, or 3.1% of GDP. In 2020, the non-financial public sector, excluding pensions, registered a deficit of US$2,196.3 million, equivalent to 8.8% of GDP, an increase of 7.0 percentage points compared to 2019. In 2020, including pension obligations, the fiscal deficit increased to US$2,487.5 million, or 10.0% of GDP. In 2021, the non-financial public sector, excluding pensions, registered a deficit of US$1,315.5 million, equivalent to 4.5% of GDP, a decrease of 4.3 percentage points compared to 2020. In 2021, including pension obligations, the fiscal deficit decreased to US$1,606.2 million, or 5.5% of GDP. In 2022, the non-financial public sector, excluding pensions, registered a deficit of US$537 million, equivalent to 1.7% of the GDP, a decrease of 2.9 percentage points compared to 2021. In 2022, including pension obligations, the fiscal deficit increased to US$855.3 million, or 2.7% of GDP. In 2022, the primary balance reflected a surplus of 2.0% (including pensions) and 3% (excluding pensions) of GDP, respectively. In 2023, the non-financial public sector, excluding pension obligations, registered a deficit of US$787.6 million, equivalent to 2.3% of GDP, an increase of 0.5 percentage points compared to 2022. In 2023, including pension obligations, the fiscal deficit increased to US$1,589.4 million, or 4.7% of GDP.

2024 Budget

The 2024 budget for the Central Government was presented to the Legislative Assembly on September 30, 2023 for a total amount of US$9,068.7 million, an increase of US$166.0 million or 1.9% compared to the initial 2023 budget. The 2024 budget prioritizes spending in education, health, security and infrastructure. The deficit in the 2024 budget is US$338.6 million, which is US$133.8 million less than in the 2023 budget, representing a decrease equivalent to 28.3%. The key assumptions on which the 2024 budget is based include real GDP growth of 2.4%, nominal GDP growth of US$35,059.0 million and an inflation rate of 2.4%. The 2024 budget was approved on December 21, 2023, pursuant to Legislative Decree No. 911.

Public Debt

Public sector debt, including internal and external debt of the financial and non-financial public sector and the external Central Bank debt balance, totaled US$19,704.1 million on December 31, 2023, compared to US$24,960.5 million on December 31, 2022, US$23,975.7 million on December 31, 2021, US$22,326.0 million on December 31, 2020, and US$19,526.3 million on December 31, 2019. As of December, 2023, public sector debt was 100% denominated in US dollars.

SELECTED ECONOMIC INDICATORS
(in millions of US dollars, except percentages and where noted)

	For the Year Ended December 31,				
	2019	2020	2021	2022[1]	2023[2]
The Economy					
Nominal GDP	$26,881.1	$24,921.2	$29,043.1	$31,988.9	$34,015.6
Real GDP growth	2.5%	(7.9%)	11.2%	2.8%	3.5%
Annual inflation[(3)]	0.0%	(0.1%)	6.1%	7.3%	1.2%
Unemployment	6.3%	6.9%	6.9%	5.0%	5.2%
Balance of Payments					
Exports (FOB goods and services)	$8,056.7	$6,116.8	$8,351.4	$10,163.9	$10,629.2
Imports (FOB goods and services)	$12,468.6	$10,447.4	$15,483.4	$18,184.3	$17,032.4
Trade and services balance	($4,411.9)	($4,330.5)	($7,132.0)	($8,020.4)	($6,403.2)
Current account surplus (deficit) of the balance of payments	($113.4)	$2756.7	($1,250.5)	($2,182.2)	($465.7)
As % of GDP	(0.4)	1.1	(4.3)	(6.8)	(1.4)
Net international reserves	$3,936.5	$2,915.2	$3,342.4	$2,440.4	$2,645.5
Financial system reserves in the central bank	$3,664.5	$2,431.3	$2,855.2	$2,207.7	$2,365.0
Reserves in the central bank (as % of deposits)	24.9%	14.8%	16.9%	12.6%	12.7%
Non-Financial Public Sector					
Total revenues	$6,148.7	$5,739.6	$7,059.5	$7,916.9	$8,351.9
Total expenditures	$6,628.1	$7,935.8	$8,375.0	$8,453.8	$9,139.5
Primary balance deficit	$166.2	($1,406.1)	($302.6)	$636.2	$542.9
As % of GDP	0.6%	(5.6)%	(1.0)%	2.0%	1.6%
Deficit[(4)]	($824.9)	($2,487.5)	($1,606.2)	($855.3)	($1,589.4)
As % of GDP	(3.1%)	(10.0%)	(5.5%)	(2.7%)	(4.7%)
Public Sector Debt[(5)]					
Total public debt.	$19,526.3	$22,326.0	$23,975.7	$24,960.5	$19,704.1
Internal debt[(6)]	$8,345.6	$9,592.0	$10,436.3	$11,596.2	$6,206.7
External debt	$11,180.7	$12,734.0	$13,539.4	$13,364.3	$13,497.4
Total public debt (as % of GDP)	72.6%	89.6%	82.6%	78.0%	57.9%
Public internal debt (as % of GDP)	31.1%	38.5%	35.9%	36.3%	18.3%
Public external debt (as % of GDP)	41.6%	51.1%	46.6%	41.8%	39.7%
External debt service (as % of exports of goods and services)[(7)]	23.2%	12.2%	17.0%	18.2%	19.0%

(1) Preliminary GDP Figures
(2) Estimated GDP Figures
(3) As measured by the variation in the *Índice de Precios al Consumidor* (Consumer Price Index or the "CPI"). December 2009 = 100 base index.
(4) Including Pensions
(5) Including debt of the Central Bank.
(6) 2018-2022 incluye los Certificados de Inversión Previsional serie B (CIP B)
(7) Calculation does not include Central Bank debt service.

Sources: *Central Bank of El Salvador and Ministry of Finance.*

THE OFFERING

BRIEF DESCRIPTION OF THE NOTES AND THE INTEREST ONLY NOTES

References in this section to the Notes are to the Republic's (i) US$1,000,000,000 aggregate principal amount of its 9.250% Notes due 2030 (the "2030 Notes") and (ii) Macro Variable Interest Only Step-Up Notes (the "Interest Only Notes").

Issuer..	The Republic of El Salvador.
Issue Amount	2030 Notes: The 2030 Notes will be issued in an aggregate principal amount of US$1,000,000,000. Interest Only Notes: The Interest Only Notes will be interest only notes with a reference notional amount (the "Reference Notional Amount") in an initial amount of US$1,000,000,000. Holders of the Interest Only Notes shall not be entitled to payment of the Reference Notional Amount.
Issue Price	2030 Notes: 89.923% of the principal amount of the 2030 Notes, plus accrued interest, if any, from April 17, 2024 Interest Only Notes: 0.916% of the reference notional of the Interest Only Notes, plus accrued interest, if any, from April 17, 2024 Aggregate Price to Public: 90.839%
Issue Date..	April 17, 2024.
Installments / Maturity Date / Last Interest Payment Date..	2030 Notes: The principal amount of the 2030 Notes will be payable in three installments (i) 33% of the original principal amount on April 17, 2028 (the "2030 Notes First Principal Payment Date"), (ii) 33% of the original principal amount on April 17, 2029 (the "2030 Notes Second Principal Payment Date"), and (ii) the remainder principal amount on April 17, 2030 (the "2030 Notes Maturity Date"). Interest Only Notes: The last interest payment date on the Interest Only Notes will be April 17, 2030 (the "Interest Only Notes Last Interest Payment Date"), provided that the Notes have been paid in full on such date. The Reference Notional Amount shall be reduced as described below.
Interest	2030 Notes: The 2030 Notes will bear interest from April 17, 2024 at the rate of 9.250% per annum payable semi-annually in arrears on April 17 and October 17 of each year, commencing on October 17, 2024. Interest Only Notes: The Interest Only Notes will bear interest for each interest period (i) from, and including, the issue date of the Interest Only Notes until the 6 month-interest period ending on October 17, 2025, at an initial rate of 0.25% per annum (the "Interest Only Notes Initial Rate") and (ii) from, and including, October 17, 2025, to, but excluding, the Interest Only Notes Last Interest Payment Date, at a rate of 0.25% or 4% per annum depending on the Republic's satisfaction (or failure to satisfy) the Macro Test (as defined below). Beginning

with the interest period commencing on October 17, 2025, and ending on, but excluding, April 17, 2026 (the “Interest Only Notes First Macro Test Period”), and for each interest period thereafter through the interest period commencing on, and including, October 17, 2029, and ending on, but excluding, the Interest Only Notes Last Interest Payment Date (the “Interest Only Notes Last Macro Test Period”), (i) if the Macro Test is satisfied by the Republic on the date 10 Business Days (as defined below) prior to the first day of each such interest period (the “Measurement Date”), the interest rate on the Reference Notional Amount of the Interest Only Notes payable for such interest period shall be 0.25%, and (ii) if the Macro Test for such interest period is not satisfied by the Republic on the applicable Measurement Date, the interest rate on the Reference Notional Amount of the Interest Only Notes payable for such interest period shall be 4%. The macro test (the “Macro Test”) shall consist of the satisfaction by the Republic of either (i) the IMF Condition (as defined below) or (ii) the Ratings Condition (as defined below) on the applicable Measurement Date. The Macro Test will be performed on the applicable Measurement Date for each interest period beginning with the Interest Only Notes First Macro Test Period and for each interest period thereafter until the Interest Only Notes Last Macro Test Period, irrespective of whether the Republic has satisfied or failed to satisfy the Macro Test on any prior Measurement Date, as further described herein. The IMF Condition consists of the Executive Board of the International Monetary Fund (the “IMF”) having completed at least one review, or granted approval, of an IMF Stand-by Arrangement (SBA) or Extended Fund Facility (EFF) for the Republic during the six months prior to, and including, the applicable Measurement Date. The Ratings Condition consists of at least two of (i) Moody’s Investors Service Inc. (“Moody’s), (ii) Standard & Poor’s Ratings Group (“S&P”), and (iii) Fitch Ratings (“Fitch” and, together with Moody’s and S&P, the "Rating Agencies") having assigned a rating to the long-term foreign currency senior unsecured external debt of the Republic of B2 (in the case of Moody’s), B (in the case of S&P) or B (in the case of Fitch) (without regard for any ratings watch or outlook) as of the applicable Measurement Date. If the Interest Only Notes have not been paid in full on the Interest Only Notes Last Interest Payment Date, then for each subsequent interest period until the Interest Only Notes have been paid in full, the Interest Only Notes will bear interest at a rate of 4.0% per annum and such amounts, if unpaid, will bear interest on interest at the interest rate of the 2030 Notes.

Withholding Tax, Additional Amounts....................... Principal of and interest on the Notes are payable by the Republic without withholding or deduction for or on account of taxes imposed by El Salvador to the extent described herein. In the event that the Republic is required by law to deduct or withhold taxes, duties, assessments or governmental charges, the Republic will pay Additional Amounts (as defined herein) as necessary to enable holders of Notes to receive such amounts after such deduction or withholding as they would have received absent such deduction or withholding, subject to certain exceptions. See “Description of the Notes — Additional Amounts”.

Status... The Notes will constitute general, direct, unconditional, unsubordinated and unsecured Public External Indebtedness (as defined herein) of the Republic for which the full faith and credit of the Republic is pledged. The Notes will rank without any preference among themselves and equally with all other unsecured and unsubordinated Public External Indebtedness of the Republic. It is

	understood that this provision shall not be construed so as to require the Republic to make payments under the Notes ratably with payments being made under any other Public External Indebtedness. See "Description of the Notes—Ranking."
Negative Pledge and Certain Covenants	The Notes contain certain covenants and restrictions on the creation or subsistence of any Lien (as defined herein) securing Public External Indebtedness, with certain exceptions. See "Description of the Notes — Certain Covenants of the Republic".
Use of Proceeds	Pursuant to Legislative Decree No. 961 (as published in the *Diario Oficial* on February 29, 2024), the Republic will use the cash proceeds from the issuance and sale of the Notes (which prior to accounting for commissions and expenses which shall be paid for separately by the Republic, will be US$908,390,000) to (i) fund the repurchase of the securities of the Republic tendered and accepted for purchase in the Tender Offer (as defined below), (ii) make interest and principal payments under the 2025 Notes not otherwise repurchased in the Tender Offer through their maturity date, and (iii) pay direct obligations of the Ministry of Finance pursuant to the Republic's approved budget.
Collective Action Clauses	The 2030 Notes will contain "collective action clauses". Under these provisions, which differ from the terms of the Republic's Public External Indebtedness issued prior to February 28, 2017, the Republic may amend the payment provisions of the Notes and other reserved matters listed in the indenture with the consent of the holders of: (1) with respect to a single series of debt securities, more than 75% of the aggregate principal amount of the outstanding debt securities of such series; (2) with respect to two or more series of debt securities, if certain "uniformly applicable" requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities, more than 66 2/3% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the debt securities of each series affected by the proposed modification, taken individually. The Interest Only Notes will be issued under a separate indenture without such "collective action clauses" but with a voting mechanism for consents and amendments of certain reserved matters set by reference to 75% of the Reference Notional Amount of the Interest Only Notes outstanding.
Form of Notes	The Notes will be issued in the form of registered global notes without coupons, registered in the name of a nominee of The Depository Trust Company and its direct and indirect participants, including Euroclear and Clearstream, Luxembourg.
Denominations	Each Note will be issued in minimum denominations of principal or Reference Notional Amount, as the case may be, of US$150,000 and integral multiples of US$1,000 in excess thereof.
Further Issues.	The Republic may, without the consent of the holders of the Notes of the applicable series, create and issue additional notes of such series

having the same ranking and the same interest rate, maturity and other terms as the Notes (or the same except for the amount of the first interest payment and the issue price), so that such further notes may be consolidated and form a single series with the Notes of such series, provided that such additional notes are fungible with the existing Notes of such series for purposes of U.S. federal income taxation (regardless of whether any holders of such notes are subject to U.S. federal laws).

Optional Redemption .... The Republic may, at its option, redeem the Notes, in whole at any time or in part before maturity on the terms described under "Description of the Notes—Optional Redemption".

Listing .... Application will be made to list the Notes on the Official List of the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF Market. Application will also be made to list the Notes on the *Bolsa de Valores de El Salvador* (the "El Salvador Stock Exchange").

CUSIP, ISIN and Common Code .... The Notes have the CUSIP, ISIN and Common Codes indicated herein below:

Notes Offered	**CUSIP Number**	**ISIN Number**	**Common Codes**
2030 Notes:			
Rule 144A	283875 CE0	US283875CE06	280751413
Regulation S	P01012 CF1	USP01012CF16	280751405
Interest Only Notes			
Rule 144A	283875 CD2	US283875CD23	280750492
Regulation S	P01012 CE4	USP01012CE41	280751219

Governing Law .... The Notes shall be governed by, and construed in accordance with, the laws of the State of New York, United States of America, except that all matters concerning authorization by the Republic, as well as the bringing of any actions and the enforcement of any judgment against the Republic in the courts of the Republic, will be governed by the laws of the Republic.

Arbitration .... Any dispute, controversy or claim arising out of or relating to the Notes (other than any action arising out of or based on the United States federal or state securities laws), including the performance, interpretation, construction, breach, termination or invalidity thereof, will be finally settled by arbitration in New York, New York, in accordance with the UNCITRAL Arbitration Rules. Any arbitral tribunal constituted under the terms of the Notes will be required to make its decisions entirely on the basis of the substantive law of the State of New York as provided above.

The Republic's consent to arbitration will not preclude a holder of any Note from instituting legal proceedings against the Republic in the courts of El Salvador. The Republic has represented that it has no right to immunity on the grounds of sovereignty or otherwise from the execution of any judgment in El Salvador, or from the execution or enforcement in El Salvador of any arbitral award against El Salvador (except for the limitation on alienation of public property). The enforcement by a Salvadoran court of a foreign arbitral award is subject to recognition by the Supreme Court of Justice of the Republic and the execution of any judgment against the Republic in El Salvador is only available in accordance with Article 182 ordinal 4 of the Constitution of the Republic of El Salvador and the procedures set forth in Articles 555 to 558 and 590 et seq. of the Salvadoran Civil and Business Procedure Code; pursuant to Article 590, if the budget of the fiscal year in which a final judgment is issued is not adjusted to provide for payment of the judgment, registration of the judgment for inclusion in the budget of a subsequent fiscal year of the Republic is required for payment.

Indenture Trustee, Principal Paying Agent, Registrar and Transfer Agent...................................... The Bank of New York Mellon

Risk Factors .... An investment in the Notes involves certain risks. Before deciding to purchase the Notes, you should read carefully all the information contained in this offering circular, including, in particular, the "Risk Factors" section beginning on page 11 of this offering circular.

Risk Factors Relating to El Salvador:

- Certain economic risks, including external shocks, are inherent in any investment in an emerging market country such as El Salvador;
- The ratings of El Salvador may be lowered or withdrawn;
- A significant decrease in remittances from Salvadorans living abroad could have a material adverse effect on our ability to make payments on our outstanding public debt, including the Notes;
- Any attempt by the United States to withdraw from or materially modify DR-CAFTA and certain other international trade agreements could adversely affect El Salvador's economy;
- Failure to address actual and perceived corruption may adversely affect El Salvador;
- El Salvador has in the past been affected by internal security issues, and in the future it may be affected by internal security issues which could adversely affect the economy;
- El Salvador may be unable to obtain financing on favorable terms in the future, which could adversely affect its ability to service its public debt;
- Natural disasters and extreme weather conditions could adversely affect El Salvador and its financial condition;
- El Salvador's US dollar monetary arrangements impose constraints on fiscal and monetary policies;

- El Salvador’s high emigration levels could have a material adverse effect on economic growth and competitiveness;
- Any revision to our official financial or economic data resulting from any subsequent review of such data by the Central Bank or other Government entities could have a material adverse effect on the final results for that period;
- A significant reduction in foreign aid could negatively affect the performance of the economy and the ability of the Government to repay the Notes; and

Risk Factors Relating to the Notes

- El Salvador is a foreign sovereign state and accordingly it may be difficult to obtain or enforce judgments against it;
- The price at which the Notes will trade in the secondary market is uncertain;
- The Notes will contain provisions that permit El Salvador to amend the payment terms without the consent of all holders;
- The Notes are expected to be issued with more than a de minimis amount of original issue discount; and
- The Republic could redeem the Notes before maturity.

Concurrent Tender Offer

On April 8, 2024, the Republic launched a cash tender offer (the “Tender Offer”) directed to holders of the following outstanding notes:

(i) 5.875% Notes due 2025 (the “2025 Notes”);
(ii) 6.375% Notes due 2027 (the “2027 Notes”); and
(iii) 8.625% Notes due 2029 (the “2029 Notes”).

The Republic intends to fund the purchase of these notes subject to the Tender Offer with a portion of the proceeds from this offering. See “Use of Proceeds.”

RISK FACTORS

This section describes certain risks associated with investing in the Notes. You should consult your financial and legal advisors about the risk of investing in the Notes. El Salvador disclaims any responsibility for advising you on these matters.

Risk Factors Relating to El Salvador

Certain economic risks, including external shocks, are inherent in any investment in an emerging market country such as El Salvador.

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

- financial regulation in the United States;
- changes in economic or tax policies in El Salvador;
- the impact of hostilities or political unrest in other countries that may affect international trade, commodity prices and the global economy;
- a deterioration of internal security issues relating to crime and violence; and
- low or negative GDP growth rate in El Salvador;

Any of these factors, as well as volatility in the markets for securities similar to the Notes, may adversely affect the liquidity of, and trading markets for, the Notes. See "Forward-Looking Statements" in this offering circular.

El Salvador's economy remains vulnerable to external shocks, including global economic crises that could be caused by future significant economic difficulties of its major regional trading partners or by more general "contagion" effects, which could have a material adverse effect on El Salvador's economic growth and its ability to service its public debt.

Emerging-market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world may be more susceptible to destabilization resulting from domestic and international developments.

A significant decline in the economic growth of any of El Salvador's major trading partners could adversely affect El Salvador's economic growth. In particular, a decline in economic growth in the United States could affect the level of remittances received in El Salvador, which in turn could affect El Salvador's balance of payments and domestic demand. 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, El Salvador could be adversely affected by negative economic or financial developments in other emerging market countries. Further, the imposition of trade barriers on goods from El Salvador could materially adversely affect the performance of the economy.

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 countries in Latin America, including El Salvador. In addition, there can be no assurance that these events will not adversely affect El Salvador's economy, its ability to raise capital in the external debt markets in the future or its ability to service its public debt.

The ratings of El Salvador may be lowered or withdrawn.

Ratings address our creditworthiness and the likelihood that we will pay our long-term bonds in a timely manner. They indicate that the Republic's long-term debt securities are judged to be subject to high credit risk.

On August 11, 2016, Moody's Investors Service ("Moody's") downgraded El Salvador's ratings to B1 from Ba3 and placed the ratings on review for further downgrade. Later, on November 7, 2016, Moody's changed El Salvador's issuer and long-term debt ratings to B3 from B1 and assigned a negative outlook to the ratings, concluding the previously initiated review for possible downgrade. Moody's stated that the downgrade to B3 was based on a significant increase in liquidity risks and a political impasse in the Legislative Assembly. On April 13, 2017, El Salvador's ratings were downgraded to Caa1 stable from B3. On February 23, 2018, Moody's upgraded the ratings to B3 from Caa1 and maintained a stable outlook. On May 31, 2019, Moody's confirmed El Salvador's B3 rating with stable outlook and, on March 12, 2020, it confirmed El Salvador's B3 rating and assigned a positive outlook. On February 5, 2021, Moody's maintained El Salvador's long-term debt rating at B3, but changed the outlook to negative citing concerns over the implementation of the Government's fiscal adjustment efforts, liquidity risks associated with financing needs and debt sustainability issues. On July 30, 2021, Moody's downgraded El Salvador's credit rating to Caa1, maintaining a negative outlook. Moody's stated that the ratings action was due to concerns over the availability of financing, including financing from the IMF, and the quality of policymaking. On May 4, 2022, Moody's further downgraded El Salvador's long-term debt rating from Caa1 to Caa3 and maintained the outlook as negative. The ratings action was taken due to what Moody's perceived as an increased risk of a credit event in light of significant debt amortizations in the 2023-2025 period and unavailability of external financing to address such amortizations. On February 3, 2023, Moody's affirmed El Salvador's Caa3 credit rating and changed its outlook from negative to stable. Moody's cited the repayment of an international bond, an improved amortization profile and easing liquidity pressure due to a decrease in the fiscal deficit as factors that contributed to its change in outlook.

On October 13, 2016, Standard & Poor's Global Ratings ("S&P") lowered its long-term sovereign credit ratings on the Republic of El Salvador to B from B+. The ratings on El Salvador remained on CreditWatch with negative implications. On December 8, 2016, S&P issued a Ratings Direct research update indicating it had lowered its long-term foreign and local currency sovereign credit ratings on El Salvador to B- from B. On April 11, 2017, S&P lowered its long-term sovereign credit ratings to CCC-. Further, on April 20, 2017, the ratings were further lowered to Selective Default for the non-payment of interest on CIPs. On May 5, 2017, the ratings were upgraded to CC, in part due to the payment of the outstanding default. On October 2, 2017, the ratings were downgraded to SD, mainly due to a restructuring of outstanding debt related to the CIPs. Subsequently, on October 3, 2017 the ratings were upgraded to CCC+, again in relation to the restructuring of the CIPs. On December 14, 2017, S&P improved the outlook from stable to positive. On December 28, 2018, S&P improved the credit rating to B- and a stable outlook. On January 21, 2020 and April 21, 2020, S&P confirmed the credit rating of B- with a stable outlook. On October 21, 2021, S&P affirmed El Salvador's long-term sovereign rating of B-, but changed its outlook to negative due to increasing financing needs. On June 1, 2022, S&P lowered El Salvador's long-term sovereign rating to CCC+ and confirmed the negative outlook, indicating the government faces short term rollover risks and that the financing gap will remain very high despite observed economic recovery. On September 16, 2022, S&P affirmed El Salvador's long-term sovereign rating of CCC+ and a negative outlook. On May 9, 2023, S&P considered the Salvadoran Pension Debt exchange of bonds previously issued into new bonds with a longer maturity was distressed and downgraded the rating to SD (Selective Default) for one day. On May 10, after the exchange was successfully achieved, S&P upgraded the short and long-term sovereign debt rating to CCC+ and changed the outlook to stable. On November 7, 2023, S&P upgraded El Salvador's long-term sovereign ratings to B- and a stable outlook, indicating the country is gradually reprofiling its short-term debt held by local banks which reduces the rollover risk.

On July 9, 2015, Fitch downgraded El Salvador to B+ from BB- with a stable outlook. On February 1, 2017, El Salvador was downgraded to B from B+ with a negative outlook. On April 10, 2017, Fitch downgraded El Salvador's local currency credit from B to Restricted Default and its external credit was downgraded to CCC from B. On May 3, 2017, Fitch upgraded El Salvador's local currency debt to CCC from Restricted Default. On October 6, 2017, Fitch downgraded El Salvador's local currency credit to Restricted Default from CCC and on that same day both the local and external credit of El Salvador were upgraded to B- with a stable outlook. On June 13, 2018, the B- rating was confirmed. On April 30, 2020, the B- rating was confirmed and the outlook was revised to negative from stable. On July 16, 2020, Fitch affirmed El Salvador's B- rating but changed its outlook to negative. On February 9, 2022, Fitch reduced El Salvador's sovereign issuer credit rating to CCC reflecting financial risks derived from bigger dependency on short term debt and a lingering high fiscal deficit. On September 14, 2022, Fitch lowered El Salvador's credit rating to CC, reflecting Fitch's view of El Salvador's tight fiscal and external liquidity positions and extremely constrained market access amid high fiscal financing needs. On May 5, 2023, Fitch downgraded El Salvador's rating to RD (Restricted Default) following the execution of an exchange of domestic pension-related debt. Subsequently, reflecting the completion of such debt exchange, Fitch upgraded El Salvador's rating to CCC+.

Any downgrade or withdrawal of any of El Salvador's credit ratings could have a material adverse effect on the market value and trading price of the Notes.

A significant decrease in remittances from Salvadorans living abroad could have a material adverse effect on our ability to make payments on our outstanding public debt, including the Notes.

Remittances from Salvadorans living abroad, which are primarily in US dollars, are one of the Republic's most important sources of foreign currency. See "Foreign Trade and Balance of Payments—Balance of Payments." Remittances totaled US$5,369.8 million in 2018 and US$5,625.9 in 2019, US$5,929.9 in 2020, US$7,578.5 in 2021 and US$7,818.5 in 2022, representing 20.0%, 20.2%, 23.8%, 25.7%, and 24.1% of GDP, respectively. Remittances reached US$8,181,8 million to December 2023 compared to US$7,819.6 million to December 2022.

In January 2018, the U.S. Department of Homeland Security ("DHS") announced it would terminate the temporary protected status ("TPS") designation for El Salvador. On October 3, 2018, the U.S. District Court for the Northern District of California enjoined DHS from implementing and enforcing the decision to terminate TPS for several countries including El Salvador, pending final resolution of the case. On June 21, 2023, DHS announced the rescission of the 2018 termination of the TPS designation of El Salvador and extended El Salvador's designation until March 9, 2025. The uncertainty about the future of TPS for El Salvador and other immigration restrictions has led many Salvadorans to have significant concerns about their ability to remain in the United States, which would adversely affect remittances from Salvadorans living in the United States.

A significant decrease in remittances could adversely affect El Salvador's balance of payments, which could have an adverse effect on the Salvadoran economy and on the Republic's ability to make payments on its outstanding public debt, including the Notes.

Any attempt by the United States to withdraw from or materially modify DR-CAFTA and certain other international trade agreements could adversely affect El Salvador's economy.

Former United States President and presidential candidate Donald J. Trump has made comments suggesting that he was not supportive of existing multilateral international trade agreements. The United States has renegotiated NAFTA, imposed steel tariffs, imposed tariffs on China and threatened tariffs on the European Union, Mexico and other trading partners. At this time, it remains unclear what the United States would or would not do with respect to other such international trade agreements. If the United States takes action to withdraw from or materially modify DR-CAFTA or certain other international trade agreements, El Salvador's economy could be adversely affected, which could adversely affect El Salvador's ability to service its debt, including the Notes.

Failure to address actual and perceived corruption may adversely affect El Salvador.

El Salvador ranked 126 out of 180 countries in the Corruption Perceptions Index of 2023 produced by Transparency International. Currently there are several ongoing investigations against current and former Government officials.

The President of the United States, through the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") and the State Department, has designated and sanctioned several current and former officials of the Government of El Salvador pursuant to Executive Order 13818 ("E.O. 13818") and the Global Magnitsky Human Rights Accountability Act ("GLOMAG").

E.O. 13818 declares a national emergency with respect to alleged serious human rights abuses and corruption globally, identifying these issues as threats to the national security, foreign policy, and economy of the United States. Under this national emergency, the President of the United States may impose financial sanctions (delegated to the Secretary of the Treasury, in consultation with the Secretary of State and the Attorney General) and visa restrictions (delegated to the Secretary of State) on persons determined unilaterally by the relevant U.S. agencies, to be responsible for or complicit in, or to have directly or indirectly engaged in, among other things, certain human rights abuses or corrupt acts anywhere in the world. E.O. 13818 also implements the Global Magnitsky Act, which is a U.S. statutory authority targeting human rights abusers and corrupt actors globally.

As a result of designations pursuant to E.O. 13818, all of the property and interests in property within U.S. jurisdiction of the designated individuals and entities are blocked, and U.S. persons are generally prohibited from engaging in transactions with them. Persons whose property and interests in property are blocked pursuant to the E.O.13818 are considered to have an interest in all property and interests in property of an entity in which such blocked persons own, whether individually or in the aggregate, directly or indirectly, a 50 percent or greater interest. Consequently, any entity owned in the aggregate, directly or indirectly, 50 percent or more by one or more blocked persons is itself considered to be a blocked person. The property and interests in property of such an entity are blocked regardless of whether the entity itself is listed in the annex to E.O. 13818 or otherwise placed on OFAC's list of Specially Designated Nationals ("SDNs"). Accordingly, a U.S. person generally may not engage in any transactions with such an entity, unless authorized by OFAC. On July 19, 2023, the State Department announced that it was imposing sanctions on former Salvadoran Presidents Mauricio Funes and Salvador Sanchez Ceren for acts of significant corruption and laundering money. No sanctioned individual referred to in this paragraph is an official of the Ministry of Finance or of the BCR, and no such person will receive any proceeds of the Notes to be issued.

If the Government fails to address corruption effectively, such failure could lead to political instability, impair El Salvador's international standing and adversely affect foreign investment and El Salvador's economy.

El Salvador has in the past been affected by internal security issues, and in the future it may be affected by internal security issues which could adversely affect the economy

El Salvador has from time to time experienced internal security concerns related to crime and narcotrafficking. Additionally, El Salvador has several active gangs that engage in narcotrafficking and acts of violence with thousands of known gang members. In the past these gangs have been suspected of targeting public transportation, hotels and Government agencies through the use of explosive devices, including grenades. In July 2015, two buses were burned and eight drivers killed from transportation companies that continued to operate after a threat was made in order to halt public transport. In the same month, there was a grenade attack near the Sheraton hotel in San Salvador. In August 2015, an improvised explosive device was found in a vehicle near the Ministry of Justice and Public Security. In September 2015, an improvised explosive device detonated inside a car in front of the Ministry of Finance. During a 72 hour period starting on April 24, 2020, the Republic reported 40 homicides. The spike in homicides was due to an attempt by criminal gangs to regain lost territory while the country was in lockdown due to the COVID-19 pandemic. Police reports indicated that the homicides had been planned from within the country's prison system. In response to this, President Bukele authorized the use of deadly force by the police and the armed forces to protect the civilian population. Further, President Bukele declared a penitentiary emergency and enforced strict security measures within prisons. On March 27, 2022, the Legislative Assembly approved Decree No. 333, pursuant to which it declared a nationwide *régimen de excepción* (the "Exception Regime"). The Exception Regime was declared in response to rampant violent crime which continued to be observed throughout the country. The Exception Regime was declared pursuant to Articles 29 and 30 of the Constitution of El Salvador, which provide for the suspension of certain individual constitutional rights, including freedom of assembly, freedom of association, privacy of communications and other guarantees of due process, in cases of severe public emergencies. Article 29 permits the suspension of these constitutional rights for up to 30 days, which may be extended for additional 30-day periods if the public emergency persists. Decree No. 333 has been so extended through April 10, 2024. The main objective of the Exception Regime is to assist the country's law enforcement and security forces in reestablishing public order, reducing homicides and providing for the safety of law-abiding citizens throughout the country. As of January 17, 2024, the homicide rate for 2024 is 1.2 per 100,000 inhabitants. During President Bukele's administration, there have been a total of 532 days without any reported homicides.

If the level of crime and violence and the instability that it causes increases in the future, the economic performance of the country may suffer, including by affecting commerce, transportation and foreign investment and thus may potentially adversely affect El Salvador's ability to service its debt, including the Notes.

El Salvador may be unable to obtain financing on favorable terms in the future, which could adversely affect its ability to service its public debt, including the Notes.

El Salvador's future fiscal results may be insufficient to meet its debt service obligations and it may have to rely in part on additional financing from domestic and international capital markets in order to meet future debt service obligations. In the future, El Salvador may not be able or willing to access international or domestic capital markets, and El Salvador's ability to service its public debt, including the Notes, may be adversely affected.

El Salvador relies on multilateral lenders for financing certain projects and for budget support, including the IADB, BCIE, CAF and the World Bank.

On March 20, 2023, the Executive Board of the IMF concluded its 2023 Article IV Consultation of El Salvador. El Salvador has not consented to publication of the staff report and the related press release.

Natural disasters and extreme weather conditions could adversely affect El Salvador and its financial condition

El Salvador is located on the Pacific coast of Central America, which may be affected by meteorological events and extreme weather conditions from time to time. The location of El Salvador often puts the country in the path of tropical storms, that sweep the region typically between the months of May and November, and have the potential to cause extensive physical and economic damage. Since 2009, El Salvador has suffered five major tropical cyclones. On November 6, 2009, Hurricane Ida produced mudslides, flooding and wind damage in thirteen departments of El Salvador. In May 2010, Hurricane Agatha caused further damage to El Salvador's infrastructure and crops. In October 2011, tropical depression 12E dropped heavy rainfall across large portions of El Salvador. The impact of tropical depression 12E alone was estimated to be at 1% of GDP. Furthermore, adverse weather conditions such as droughts, caused coffee exports to decrease in 2013, to 2010 export levels. In May and June 2020, tropical storms Amanda and Cristobal produced mudslides, flooding and high winds which caused an estimated 27 deaths; destroyed 2,800 hectares of farmland; and damaged 392 schools, 10,000 homes and 14 bridges. While the Government preliminarily estimates that the losses resulting from tropical storms Amanda and Cristobal totaled US$361 million, this estimate is expected to rise.

Between 2011 and 2018, El Salvador experienced severe drought, which was exacerbated by the *El Niño* weather phenomenon during 2014 and 2015. Additionally, in 2018, the agricultural productive system was affected by droughts during the months of June and July. According to estimates and information from the Ministry of Agriculture and Livestock, approximately 98,783 of the basic grains producers from 12 departments of the country were affected by the droughts. The economic losses resulting from the 2018 drought were estimated at US$42.4 million, equal to 0.2% of the estimated GDP for 2018.

Meteorological catastrophes, other extreme weather events and natural disasters could, among other things, limit access to, damage or destroy El Salvador's infrastructure, including roads and bridges. Such conditions and/or events may also result in disruption to the local economy, and may cause labor, fuel and other resource shortages.

An October 2017 report issued by the Ministry of the Environment and Natural Resources stated that 63% of El Salvador's territory is exposed to high or very high seismic threat; 35% of El Salvador's territory is susceptible to high risk droughts; 38% of El Salvador's territory has a high susceptibility to landslides and 15% of El Salvador's territory is at a high or very high risk of flooding. Additionally, there are a total of 23 volcanoes, eight of which have experienced recent eruptions of ash and gas. El Salvador is also located in a geographical area that has experienced earthquakes.

Recurring natural catastrophes and extreme weather events may result in further disruption to the local economy, and may cause labor, fuel and other resource shortages, any or all of which could have a material adverse effect on the Republic's economic growth and its ability to make payments on its debt obligations, including the Notes.

El Salvador's US dollar monetary arrangements impose constraints on fiscal and monetary policies.

Public finance in El Salvador is heavily influenced by the U.S. dollar-based monetary system in place since January 2001. Currently all circulating cash in El Salvador is U.S. dollars. Moreover, the strength of the US dollar within the last five years has negatively impacted the competitiveness of El Salvador, due to an increase in the price of the country's exports.

These circumstances impose constraints on fiscal and monetary policy particularly when responding to external shocks, not present in countries where the government issues its currency and the central bank acts as lender of last resort. The U.S. dollar-based monetary arrangement along with the lack of a national currency makes El Salvador subject to the U.S. Federal Reserve policy and dependent on U.S. dollars to pay for internal obligations. An additional risk to the financial system is imposed by the reduced ability of the Central Bank to act as lender of last resort. Further, dollarization causes El Salvador to lack monetary flexibility and leaves fiscal policy as the main tool for economic policy.

El Salvador's high emigration levels could have a material adverse effect on economic growth and competitiveness.

High emigration levels of Salvadorans since the civil war, including more recently triggered emigration partly due to security issues and unemployment rates, particularly among the more flexible and potentially productive young workers, could have a negative impact on economic growth and competitiveness of El Salvador.

Any revision to our official financial or economic data resulting from any subsequent review of such data by the Central Bank or other Government entities could have a material adverse effect on the final results for that period.

Certain financial and economic information presented in this offering circular may be subject to routine revision and subsequently be materially adjusted or revised to reflect new or more accurate data. Such revisions could reveal that our economic and financial conditions as of any particular date are materially different from those described in this offering circular.

We can offer no assurance that such adjustments or revisions will not have a material adverse effect on the interests of our creditors, including any purchasers of the Notes.

A significant reduction in foreign aid could negatively affect the performance of the economy and the ability of the Government to repay the Notes.

El Salvador has historically received significant foreign aid funds from other countries, such as the United States. Such foreign aid may take the form of direct transfers to the Government or grants to non-governmental organizations ("NGOs") that undertake specific projects in the country. In recent years, direct foreign aid to the Government has decreased significantly. Direct foreign aid to El Salvador's non-financial public sector has been US$60.5 million, US$116.5 million, US$127.7 million, US$23.2 million and US$19.4 million in 2018, 2019, 2020, 2021 and 2022, respectively.

The United States has pledged a total of US$2 billion in aid for the Northern Triangle countries of El Salvador, Guatemala and Honduras. According to USAID, El Salvador has received total U.S. foreign aid (in the form of direct transfers to the Government and grants to NGOs) of US$5.3 million, US$81.1 million, US$107.4 million, US$96.5 million and US$119.1 million in 2019, 2020, 2021, 2022 and 2023, respectively.

Foreign aid funds are intended to support projects in the areas of institutional development, security, economic development, job creation and education, among others. If such funding is reduced in the future, these such projects may be discontinued or require funding from the Government, which could have an adverse effect the economy.

Risk Factors Relating to the Notes

El Salvador is a foreign sovereign state and accordingly it may be difficult to obtain or enforce judgments against it.

El Salvador is a foreign sovereign state. As a result, it may be difficult or impossible for investors to obtain or enforce judgments against El Salvador, whether in an investor's own jurisdiction or elsewhere. See "Arbitration and Enforceability".

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

El Salvador has been advised by the Initial Purchaser that it intends to make a market in the Notes but are not obligated to do so and may discontinue market making at any time without notice. Application will be made to list the Notes on the Official List of the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF Market. No assurance can be given as to the liquidity of the trading market for the Notes. The price at which the Notes will trade in the secondary market is uncertain. Due to uncertainty of whether or not the Macro Test will be met, there may be additional uncertainty with respect to the price of the Interest Only Notes in the market.

The Notes will contain provisions that permit El Salvador to amend the payment terms without the consent of all holders.

The 2030 Notes will contain provisions, commonly known as "collective action clauses", regarding acceleration and voting on future amendments, modifications and waivers that differ from those applicable to certain of the Republic of El Salvador's outstanding Public External Indebtedness (as defined herein). Under these provisions, which are described in the sections entitled "Description of the Notes — Events of Default" and "— Modifications, Amendments and Waivers under the 2017 Indenture", the Republic of El Salvador may amend the payment provisions of the 2030 Notes and certain other terms without the consent of all holders. The Interest Only Notes will not contain collective action clauses; however, the Interest Only Notes Indenture will include the ability of holders of the Interest Only Notes to amend certain material terms of the Interest Only Indenture and the Interest Only Notes referred to as reserved matters with the favorable vote or consent of holders representing 75% of the aggregate Reference Notional Amount of the Interest Only Notes as described in the sections entitled "Description of the Notes —Modifications, Amendments and Waivers under the Interest Only Notes Indenture".

The Notes are expected to be issued with more than a de minimis amount of original issue discount for U.S. federal income tax purposes.

It is expected that the stated redemption amount at maturity of the Notes will exceed their issue price by an amount equal to or greater than a statutorily defined de minimis amount under U.S. federal income tax law. As such, it is expected that the Notes will be treated as issued with original issue discount for U.S. federal income tax purposes in an amount equal to such excess. If the Notes are issued with original issue discount for such purposes, a holder subject to U.S. federal income taxation generally will be required to include the original issue discount in gross income (as ordinary income) as the original issue discount accrues on a constant yield to maturity basis in advance of the receipt of cash payments attributable to the original issue discount and regardless of such holder's method of accounting for U.S. federal income tax purposes.

The U.S. federal income tax treatment of the Notes and disposition of such Notes is not entirely clear.

Although not entirely clear, it is expected that a 2030 Note and an Interest Only Note acquired as a unit pursuant to this offering should be treated as single debt obligation entitling the holder to payments of principal and related interest for U.S. federal income tax purposes. Additionally, although not free from doubt, it is expected that a sale of a 2030 Note or Interest Only Note by the initial holder is expected to be subject to the U.S. federal income tax rules for "stripped bonds" and "stripped coupons". It is possible the U.S. Internal Revenue Service could disagree with this treatment and with the application of these rules. Because of the complexity of these issues, we strongly suggest that holders of Notes consult with their own tax advisors regarding the U.S. federal income tax classification of a 2030 Note and an Interest Only Note acquired as a unit pursuant to this offering and the U.S. federal income tax consequences of a subsequent disposition of a 2030 Note or an Interest Only Note by the initial holder. See "Taxation—U.S. Federal Income Taxation".

The Republic could redeem the Notes before maturity.

The Republic may redeem the Notes, in whole or in part, before maturity on the terms described under "Description of the Notes—Optional Redemption." An investor may not be able to reinvest the redemption proceeds in other securities with yields similar to those of the Notes redeemed.

USE OF PROCEEDS

Pursuant to Legislative Decree No. 961 (as published in the *Diario Oficial* on February 29, 2024), the Republic will use the cash proceeds from the issuance and sale of the Notes (which prior to accounting for commissions and expenses which shall be paid for separately by the Republic, will be US$908,390,000) to (i) fund the repurchase of the securities of the Republic tendered and accepted for purchase in the Tender Offer (as defined below), (ii) make interest and principal payments under the 2025 Notes not otherwise repurchased in the Tender Offer through their maturity date, and (iii) pay direct obligations of the Ministry of Finance pursuant to the Republic's approved budget..

THE REPUBLIC OF EL SALVADOR

Territory, Population and Society

El Salvador is geographically the smallest and the most densely populated of the six Central American countries, encompassing 8,124 square miles (21,041 square kilometers). El Salvador is bounded on the south by 190.8 miles of Pacific Ocean coastline, on the northwest by Guatemala and on the northeast and east by Honduras. In the north, the Sierra Madre mountains rise to over 9,000 feet above sea level. There are 23 active volcanoes in the country, six of which are frequently monitored for seismic activity. The most recent major volcanic eruption was in 1946. Minor volcanic eruptions occurred in 2005, 2013, 2014, 2015, 2016 and 2022.

El Salvador experiences two seasons, rainy and dry. The rainy season lasts from early May through October, while the dry season lasts from November through April. Hurricanes in the Atlantic Ocean can exacerbate the rainy season in El Salvador.

In September 1992, the International Court of Justice resolved a border dispute between El Salvador and Honduras and awarded most of the disputed territories to Honduras. The border demarcation process, in which both parties were involved in accordance with the decision of the International Court of Justice, was completed in 2008. The governments of Honduras and El Salvador have reached an agreement on the definitive borders between both countries, pending legislative approval.

Since 2009, El Salvador has suffered five major tropical cyclones. On November 6, 2009, Hurricane Ida produced mudslides, flooding and wind damage in thirteen departments of El Salvador. In May 2010, Hurricane Agatha caused further damage to El Salvador's infrastructure and crops. In October 2011, tropical depression 12E dropped heavy rainfall across large portions of El Salvador. The economic impact of tropical depression 12E alone was estimated to be 1% of GDP. Furthermore, adverse weather conditions such as droughts, caused coffee exports in 2013 to decrease to 2010 export levels.

In 2020, due to tropical storms Amanda and Cristóbal (May 29-June 6, 2020), Eta (November 3-November 9, 2020), and Iota (November 17-November 18, 2020), losses of more than US$50 million were recorded in the agricultural sector. According to official figures, the losses due to tropical storms Amanda and Cristóbal were US$14.0 million, due to the loss of 160.9 thousand quintals of basic grains, 600 thousand quintals of vegetables and 154.2 thousand quintals of fruit trees. Due to storm Eta, losses in basic grains, fruits, vegetables and sugar cane of US$18.3 million were recorded and storm Iota caused losses in basic grain and vegetable crops worth approximately US$21 million. In addition, damage was recorded to road infrastructure, schools and some highly vulnerable communities. In 2022, tropical storm Julia (October 9-10, 2020) caused losses of more than US$20 million, mainly due to damage to crops of basic grains, vegetables, fruits, and some livestock products.

Between 2011 and 2018, El Salvador experienced severe drought, which was exacerbated by the *El Niño* weather phenomenon during 2014 and 2015. Additionally, in 2018, the agricultural productive system was affected by droughts during the months of June and July. According to estimates and information from the Ministry of Agriculture and Livestock, approximately 98,783 of the basic grains producers from 12 departments of the country were affected by the droughts. The economic losses resulting from the 2018 drought were estimated at US$42.4 million, equal to 0.2% of the estimated GDP for 2018. There have been no other significant periods of drought since 2018.

Meteorological catastrophes, other extreme weather events and natural disasters could, among other things, limit access to, damage or destroy El Salvador's infrastructure, including roads and bridges. Such conditions and/or events may also result in disruption to the local economy, and may cause labor, fuel and other resource shortages. For example, the Government estimated that storm systems referred in the previous paragraphs caused approximately US$1,452.3 million in damages and losses in the affected areas and at least 271 fatalities.

Between 2013-2019, total investment in climate change mitigation for the agricultural sector totaled US$81.4 million, with US$37.6 allocated to coffee forest renovation, US$32.9 million allocated to preservation and US$10.9 million allocated to soil and water adaptation. In addition, the *Ministerio de Agricultura y Ganadería* ("MAG") has implemented a strategy designed to mitigate the effects of climate change which has included:

- assistance to 55 agricultural producers for the construction of reservoirs and tanks for the capture and storage of rainwater;
- technical assistance to 2,639 agricultural producers for the implementation of best agroecological practices;
- nation-wide promotion of the use of organic fertilizers in agricultural production;
- support to 3,968 agricultural producers in sustainable management of natural resources; and
- technical assistance to 819 producers toward the production of new crops that are adaptable to climate change.

The Government contemplated the effects of these natural disasters in the 2014-2019 five-year development plan by including as one of its specific goals reversing environmental degradation and addressing the country's vulnerability to catastrophes. All environmental programs now include climate change adaptation measures. In addition, *Unidades de Adaptación al Cambio Climático* ("Climate Change Adaptation Units") have been created as key agencies of the Central Government. In August 2012, the Ministry of Finance created the *Unidad de Riesgos Fiscales* ("Fiscal Risks Unit"), which is responsible for quantifying the short- and mid-term economic impact on public finances and planning for contingencies related to natural disasters. The Fiscal Risks Unit began operations in June 2014. *Plan Cuscatlán* incorporates a comprehensive initiative aimed at protecting the environment and mitigating the effects of climate change. The Government's initiative includes plans to supply clean drinking water and reduce pollution and contamination from agricultural and industrial activities. In 2019, the Ministry of Agriculture and Livestock invested US$4.5 million in coffee forest renovation and US$0.7 million in climate change prevention.

To confront the effects of climate change and natural disasters and with a view to preserving fiscal stability in addressing the associated risks, in May 2021 the Ministry of Finance approved the *Estrategia de Gestión Financiera ante el Riesgo de Desastres*. This strategy comprises four elements: (1) raising awareness of potential fiscal impacts associated with natural disasters, (2) combining financial instruments and mechanisms to mobilize resources to respond to and recover from natural disasters, (3) reducing risks associated with natural disasters through public investments, and (4) increasing efficiency, effectiveness and transparency of public expenditures relating to the management of natural disasters.

In this regard, the Republic has put in place financial instruments and mechanisms to address natural disasters, such as (a) the *Fondo de Protección Civil para la Prevención y Mitigación de Desastres*, (b) a loan from the Inter-American Development Bank in the amount of US$400 million the proceeds of which may be used to respond to earthquakes and hurricanes (US$300 million) and volcanic eruptions, epidemics and pandemics (US$100 million), and (c) loans provided by the World Bank in the amount of US$60 million to respond to emergencies.

In 2022, El Salvador's population was estimated at 6.3 million according to the National Statistics and Census Bureau, a division of the Central Bank. Approximately 61.7% of this population resided in urban areas and 38.3% resided in rural areas. According to data maintained by the Global Knowledge Partnership on Migration and Development (KNOMAD), in 2021 the country had 1,603,924 emigrants, equivalent to approximately 25% of its population. The distribution of emigrants between women and men is relatively similar (50.28% women versus 49.71% men). Ninety percent of them reside in the United States, which has become the main migratory destination.

Salvadorans abroad make a significant contribution to the Republic's economy through remittances to their families in El Salvador. The IMF, in its 2016 Article IV consultation staff report ("2016 Report"), asserted that the high emigration levels of Salvadorans was due in part to insecurity and fewer employment opportunities for young workers. In its 2016 Report, the IMF also asserted that "while El Salvador is demographically stable, emigration of the young population restrains investment and, due to reduced labor supply among the more flexible and potentially productive young workers, growth, and may contribute to macroeconomic instability and increase fiscal burdens in the future".

In its 2018 Article IV consultation staff report, the IMF stated that the high and sustained emigration levels of Salvadorans is due in part to remaining effects of the civil war and that emigration has a net benefit for El Salvador's economy by increasing the income of migrants. Moreover, emigration reduces the labor supply and increases the wages of those remaining in the country. The IMF also highlighted the importance of remittances and their significant macro-stabilizing and poverty-alleviating benefits for El Salvador.

In its 2021 Article IV consultation staff report ("2021 Report"), the IMF noted that remittances declined significantly in 2020 due to a sharp increase in unemployment among Salvadorans living in the United States as a result of the COVID-19 pandemic. The IMF further noted that in 2021 remittances rebounded strongly as employment among Salvadorans living in the United States recovered.

Remittances totaled US$5,631.1 million in 2019, US$5,910.7 million in 2020, US$7,530.4 million in 2021 and US$7,747.0 million in 2022, representing 20.9%, 23.7%, 25.9% and 24.2% of GDP, respectively. Remittances totaled, US$9,076.5 million in 2023, representing 26.7% of the GDP.

According to the National Bureau of Statistics and Census 2007, over 72.3% of the population is mestizo of mixed European and indigenous descent. San Salvador, the capital and country's largest city, had a population of approximately 335,097 in 2023. The average annual population growth rate for the Republic was projected to be approximately 0.1% for the period between 2018 and 2023. Most of the population is Roman Catholic.

The following table sets forth information on per capita gross national income, average life expectancy, and enrollment education ratios in certain countries:

Selected Comparative Social Statistics

	El Salvador	Nicaragua	Honduras	Guatemala	Costa Rica	Panama	United States
Per Capita GNI[(1)]	$8,886	$5,427	$5,272	$8,996	$20,248	$32,029	$65,565
Average life expectancy[(2)]	71.5	74.6	70.7	68.7	77.3	76.8	78.2
Mean years of schooling[(3)]	7.2	7.3	7.3	5.7	8.8	10.7	13.6
Expected years of schooling[(3)]	11.9	12.6	10.0	10.8	16.1	13.2	16.4

(1) Gross National Income in 2022, adjusted for 2017 purchasing power parity.
(2) In years, at 2022
(3) Data refer to 2022 or the most recent year available.

Source: *Human Development Report 2023-2024, United Nations; UNESCO.*

Historical Background

Prior to the Spanish conquest in the early 16th century, various indigenous tribes occupied the area that is now El Salvador. The Spanish conquest began in 1524 with the arrival of an expedition from Guatemala led by Pedro de Alvarado. A Spanish settlement was permanently established in San Salvador in 1528 and became the agricultural center of the Captaincy General of Guatemala. Under the Spanish government, the area became a center for the production of several commercial crops including cocoa, indigo and balsam wood.

Following independence from Spain in 1821, El Salvador became a member of the Central American Federation, which was dissolved in 1838 after a military coup in Honduras. Thereafter, as an independent republic, El Salvador slowly shifted its economy from its earlier dependence on indigo, cocoa and balsam wood to one based on coffee.

During the end of the nineteenth century and the first quarter of the twentieth century, coffee cultivation on extensive plantations contributed to the establishment of a wealthy landholding minority. Social tensions came to a head in 1932, when an uprising of the landless peasantry led by the nascent Communist Party was quashed by General Maximiliano Hernández Martinez after the loss of 30,000 lives. From 1932 to 1979, El Salvador was governed by a succession of military leaders.

On October 15, 1979, a revolutionary *junta* composed of civilians and members of the military assumed control of the country. Early in 1980, the *Partido Demócrata Cristiano* ("PDC") joined the *junta* and imposed a program of economic reforms that included the nationalization of the banking system, agrarian reform aimed at the re-distribution of land ownership, and the granting of exclusive monopolies to state-owned entities for the international sale of coffee and sugar. In 1982, a popularly elected Constitutional Assembly began drafting a new constitution that became effective in 1983 which continues to be in force, as amended from time to time. In 1984, in the first presidential election under the new Constitution, the PDC leader José Napoleón Duarte, was elected president.

During the period of the revolutionary *junta*, several guerrilla organizations unified to form the *Frente Farabundo Martí para la Liberación Nacional* ("FMLN"). From 1980 until the signing of the peace agreement (the "Peace Accord") in 1992, the Republic faced internal political and military conflicts which caused the loss of approximately 75,000 lives, triggering extensive emigration, displacing hundreds of thousands of persons within the country and causing widespread destruction to the country's infrastructure and economic development.

Former President Duarte was succeeded in the 1989 presidential election by Alfredo Cristiani of Alianza Republicana Nacionalista ("ARENA"). The Cristiani administration implemented a number of changes designed to foster economic development.

The benefits of these measures were evidenced by real GDP growth of 4.8% and 3.6% in 1990 and 1991, respectively, compared to decreases or minimal growth in the period from 1985 through 1989, which averaged 1.2% growth. Nonetheless, the real benefits for the economy were limited due to the ongoing military conflict.

On January 16, 1992, after 12 years of conflict, the Government and the FMLN signed the Peace Accord in Mexico City. The Peace Accord: (i) established the specific requirements for ending the armed conflict, (ii) addressed certain root causes of the conflict by instituting commitments from the parties to follow democratic principles, and (iii) placed specific emphasis on the process of reconstruction as part of the economic and social development of the Republic. Since the signing of the Peace Accord, the Republic has implemented constitutional reforms as well as a series of initiatives designed to promote social, economic and democratic reforms establishing a lasting foundation for peace. In December 1996, as a result of the implementation of many of these initiatives, the General Assembly of the United Nations adopted a resolution to withdraw its on-site observers and continue the United Nations verification responsibilities through periodic visits. The General Assembly noted the commitment of the Republic and other parties to the full implementation of the Peace Accord. On January 6, 2003, the United Nations declared that the objectives of the Peace Accord had been completed, thus ending the United Nations peace verification process. On January 16, 2024, El Salvador commemorated 32 years of the signing of the Peace Accord.

Form of Government

El Salvador is a republic and its form of government is a representative democracy, with powers divided among executive, legislative and judicial branches. Elections are held every five years for president and vice president and every three years for members of the single house of the legislative assembly (the "Legislative Assembly") and local governments. All Salvadoran citizens 18 years or older are entitled to vote. As part of the implementation of democratic reforms under the Peace Accord, there has been a major effort to improve voter identification and registration.

Executive authority is vested in the president and vice president and 16 cabinet ministers. Cabinet ministers are appointed, and may be removed at will, by the president. The president may propose legislation to the Legislative Assembly through his or her cabinet members and has veto power over legislation, which may be overridden by a two-thirds vote of the Legislative Assembly. On February 3, 2019, presidential elections were held and Nayib Armando Bukele Ortez of the Grand Alliance for National Unity (*Gran Alianza por la Unidad Nacional*, "GANA") party was elected president with approximately 53.1% of the vote, avoiding a runoff and taking office on June 1, 2019. Under his administration, President Bukele created the Ministry of Housing and the Ministry of Local Development.

Creation of ministries requires the approval of the Legislative Assembly, due to budgetary restrictions.

President Bukele announced in September 2022 his intention to seek reelection in the 2024 national elections. Certain provisions of El Salvador's Constitution purport to prohibit presidents from serving consecutive terms. The Supreme Court of El Salvador, however, ruled in 2021 that a second consecutive term was permissible. This decision drew criticism from politicians, human rights groups and other commentators. President Bukele's candidacy for president in the 2024 presidential elections, as a member of the *Nuevas Ideas* party, was then accepted by the electoral authorities. President Bukele was reelected in the February 4, 2024 presidential elections for another five-year term. He garnered 2,701,725 valid votes in the election, which represented 84.7% of the total valid vote count.

Legislative authority is vested in the Legislative Assembly, which is comprised of a single house of 84 elected members. The Legislative Assembly has the power to enact legislation, ratify treaties and approve the annual budget. A majority of the Legislative Assembly must approve a bill for it to become a law. Constitutional amendments require approval by two different and consecutive terms of the Legislative Assembly, the first by a majority and the second by a two-thirds majority.

As of the legislative election held on February 28, 2021, the Legislative Assembly is composed as follows: Nuevas Ideas ("NI") holds 56 seats; ARENA holds 14 seats; FMLN holds 4 seats; GANA 5 seats; National Concertation Party ("PCN") holds 2 seats; PDC holds 1 seat; VAMOS holds 1 seat; and NT holds 1 seat. NI has the greatest number of seats in the Legislative Assembly. The current administration is a part of the GANA party. On June 7, 2023, the Legislative Assembly modified the Electoral Code to reduce its number of seats to 60; this reform should come into effect on May 1, 2024, when the Legislative Assembly elected in the February 4, 2024 election begins its term. Since 2011, pursuant to amendments to the Electoral Code and a decision issued by the Supreme Court, candidates for the Legislative Assembly may run as independents unaffiliated with any party.

National judicial authority is vested in the Supreme Court and several lower courts. The Supreme Court, the highest judicial authority in the Republic, is composed of 15 justices appointed by the Legislative Assembly from two different lists of nominees separately and independently prepared by the National Council of the Judiciary and the Salvadoran Bar Association. Each Supreme Court justice serves a nine-year term and may be re-appointed. The terms of the Supreme Court justices are staggered such that one-third of the justices are appointed every three years. Judges serving on courts of appeal, certain first-instance tribunals and justices of the peace are appointed by the Supreme Court, also from lists prepared by the National Council of the Judiciary. The Constitution provides that the annual national budget must include appropriations for the judiciary totaling at least 6.0% of the Central Government's current revenues.

In June 2012, the Supreme Court found that the appointment of six Supreme Court justices by the outgoing Legislative Assembly in April 2012 was unconstitutional because the Legislative Assembly had previously named one-third of the members of the Court. In August 2012, the then new Legislative Assembly filled the vacancies, but in October 2013 the Supreme Court found that the appointment of one of the Supreme Court Justices by the then new Legislative Assembly was unconstitutional because he was found to be affiliated with the FMLN. In July 2014, the Legislative Assembly filled the vacancy with a candidate that met all legal and constitutional requirements. In November 2018, the Legislative Assembly appointed five new members to the Supreme Court for a period of nine years. Supreme Court justices are elected every three years. In June 2021, Óscar Alberto López Jerez was designated Chief Justice of the Supreme Court for the period from July 1, 2021 through June 30, 2024. The Legislative Assembly designates new justices to the Supreme Court to fill vacancies left by justices whose terms have expired.

In 2021, the then-new Legislative Assembly elected, by nominal and public vote, the Attorney General of the Republic for the 2021-2025 period. The Legislative Assembly also elected the new Constitutional Chamber for the 2021-2030 period.

Legislative elections were held on February 4, 2024. According to the final tally published by the *Tribunal Supremo Electoral* ("TSE") the Legislative Assembly will be composed in the following manner: *Nuevas Ideas* 54; ARENA 2; PCN 2; PDC 1; and VAMOS 1.

El Salvador is administratively divided into 14 departments. In each department, executive power is exercised by a governor who is appointed by the President. President Bukele's administration has designated 14 governors to date. Departments do not have their own legislative or judicial bodies or independent budgets. Departments are subdivided into 262 municipalities, each one with a mayor who exercises executive power. Mayors are elected by direct, universal suffrage for three-year terms. Municipal council elections were held at the same time and date as elections for the Legislative Assembly. In the February 2021 election, *Nuevas Ideas* won 152 municipalities; ARENA won 35 municipalities; GANA won 27 municipalities; FMLN won 30 municipalities, PCN won 14 municipalities; PDC won 3 municipalities; and VAMOS won 1 municipality. On June 13, 2023, the Legislative Assembly issued the Special Law for Municipal Restructuring (*Ley Especial para la Reestructuración Municipal*), which reduced the number of municipalities to 44; this reform came into effect after the March 3, 2024 municipal elections.

On March 3, 2024, mayoral elections were held. According to the final tally published by the TSE, Nuevas Ideas won 26 municipalities, GANA won 6 municipalities, PDC won 4 municipalities, PCN won 3 municipalities, Nuevas Ideas in partnership with CD won 2 additional municipalities, PCN in partnership with PDC won 1 additional municipality and ARENA won 1 municipality.

The following chart shows the current composition of the Legislative Assembly and municipalities by political party.

Legislative Assembly
Composition by Political Party

Political Party	Number of Members	Percentages	Number of Mayors	Percentages
Nuevas Ideas ("NI")	54	90.00%	26	59.09%
ARENA	2	3.33%	1	2.27%
GANA	0	0.00%	6	13.64%
FMLN	0	0.00%	0	0.00%
PCN	2	3.33%	3	6.82%
NT	0	0.00%	0	0.00%
PDC	1	1.67%	4	9.09%
VAMOS	1	1.67%	0	0.00%
Fuerza Solidaria	0	0.00%	1	2.27%
NI-CD	-	-	2	4.55%
PCN-PDC	-	-	1	2.27%
Total	60	100.0%	44	100.0%

Source: *TSE*

Memberships in International Organizations

El Salvador is a member of the United Nations and the Organization of American States and many of their respective specialized agencies, as well as the IMF, the World Bank, the World Trade Organization ("WTO"), the Inter-American Development Bank ("IADB") and *Banco Centro Americano de Integración Económica* ("CABEI"), among other international organizations.

El Salvador maintains diplomatic relations with 148 United Nations member states.

Relationship with the IMF

El Salvador has been a member of the International Monetary Fund ("IMF") since 1946. El Salvador's representatives on the IMF Board of Governors are the President of the Central Bank (governor) and the Minister of Finance (alternate governor).

Over the years, the IMF has provided macroeconomic surveillance, financial support and technical assistance to El Salvador. For example, El Salvador entered into Stand-By Arrangements ("SBAs") with the IMF in 1998, 2009 and 2010 for SDR37.7 million, SDR513.9 million and SDR513.9 million, respectively. Each of these SBAs expired by its terms without the need for disbursement. In addition, in April 2020, the IMF approved and disbursed a loan to El Salvador in the amount of US$389.0 million (equivalent to SDR287.2 million) under its Rapid Financing Instrument (RFI) program. The proceeds of the RFI loan, which represented the first disbursement made by the IMF to El Salvador in three decades, were used to respond to the COVID-19 pandemic.

On June 22, 2020, President Bukele wrote to the IMF expressing interest in working jointly in order to reach agreement on a new SBA. The SBA's main purpose would be to support El Salvador in its economic recovery and promote the social wellbeing of all Salvadorans. While no agreement has been reached regarding an SBA or other arrangement, such as an Extended Fund Facility, the Republic continues its discussions with the IMF regarding key issues, priority actions and policy actions that undergo continuous review and analysis. These conversations are intended to lead to agreements that satisfy both parties.

On January 24, 2022, the Executive Board of the IMF concluded its 2022 Article IV Consultation of El Salvador. The related Staff Report was prepared by the IMF staff following extensive discussions on economic developments and policies with officials from El Salvador which ended on November 22, 2021. The Staff Report was published on January 25, 2022.

Throughout 2023, the IMF engaged with officials of El Salvador as part of the 2023 Article IV consultation process. On March 20, 2023, the Executive Board of the IMF concluded its consideration of the 2023 Article IV Consultation of El Salvador. El Salvador has not consented to publication of the Staff Report and the related press release.

Outstanding Non-COVID-19 Related Multilateral Financings

Multilateral financial institutions regularly provide financing to El Salvador to support public investment in roads, education, health, justice, security, water treatment, environment, agriculture, housing, natural disasters and tourism, among others, including:

- From 2016 to 2022, the IADB provided US$1.2 billion in financing to the Republic;
- From 2013 to 2021, the CABEI provided US$1.1 billion in financing to the Republic; and
- From 2020 to 2021, the World Bank provided US$700 million in financing to the Republic.

Below is a list of recent financings provided by multilateral financial institutions (excluding COVID-19 pandemic financings which are described under "COVID-19 – Financing for the COVID-19 Response" below):

- **US$193 million from the IADB** – On January 23, 2024, the Legislative Assembly began the approval process of two future loans from the IADB for a total amount of US$193 million to support the Republic's effort to support social protection efforts including wider penetration of energy access. The loans will have a SOFR+ IADB Margin and will have respective maturities of 23.5 and 25 years. These loans have not been disbursed as they are pending approval by the Legislative Assembly.

- **US$377 million from CAF** – On January 5, 2023, the Legislative Assembly, through Legislative Decrees No. 641 and 642 approved a US$75 million and US$150 million loans to support the Republic's efforts to promote climate change impact prevention and education initiatives. Both loans have an 18-year maturity and 6 month SOFR + 2.0% annual rate. Both loans have been fully disbursed. On July 4, 2023, the Legislative Assembly, through Legislative Decree No. 787 approved a US$75 million loan to support the Republic's efforts to promote commercial initiative and private entrepreneurship. The US$75 million loan has a 15-year maturity and a fixed annual rate of 6.86%. On December 5, 2023, the Legislative Assembly, through Legislative Decree No. 903 approved a US$77 million loan to support the Republic's efforts to promote telehealth initiatives. The US$77 million loan has an 18-year maturity and 6-month SOFR + 2.0% margin annual rate. These loans have been partially disbursed.

- **US$400 million from the World Bank** – On July 11, 2023, the Legislative Assembly, through Legislative Decree No. 793 approved a US$100 million loan to support the Republic's efforts to provide clean drinkable water. The US$100 million loan has a 25-year maturity and an approximate variable annual interest rate of 6.81%. This loan has been partially disbursed. On January 1, 2024, the Legislative Assembly began the approval process of two US$150 million loans to support the Republic's efforts to promote transportation infrastructure and employment opportunities. The loans have a 25-year maturity and a SOFR + WB margin annual rate. These loans have not been disbursed as they are pending approval by the Legislative Assembly.

- **US$250 million from the CABEI** – On January 5, 2023, the Legislative Assembly, through Legislative Decree No. 640 approved a US$250 million loan to support the Republic's efforts promote the development of public policies. The loan has a 20-year maturity and 6-month SOFR + 2.94% margin annual rate. This loan has been fully disbursed.

Diplomatic Relations with the United States

The bilateral relationship between El Salvador and the United States is strategic. This relationship is based on shared values and priorities, as well as mutual respect. In this framework, El Salvador remains firm in its willingness to continue strengthening friendly relations with the United Stated, with which it also cooperates on issues of interest, particularly security and the prevention of illegal immigration.

The United States has pledged a total of US$2 billion in aid for El Salvador, Guatemala, and Honduras, known as the Northern Triangle countries. According to USAID, El Salvador has received total U.S. foreign aid of US$5.3 million, US$81.1 million, US$107.4 million, US$96.5 million and US$119.1 million in 2019, 2020, 2021, 2022 and 2023, respectively. These funds are intended for institutional development, security, economic development, job creation and education. While there is a possibility that this assistance program could be cancelled or suspended at any time, to date U.S. assistance to El Salvador has continued.

Diplomatic Relations with China

On August 21, 2018, El Salvador established diplomatic relations with China. Additionally, El Salvador adhered to Resolution 2758 of the UN General Assembly that recognizes the existence of one single China.

Former president Sánchez Cerén, carried out a state visit to China from October 29 to November 7, 2018. During the visit, China approved an assistance program in the amount of US$150 million. The funds are destined for projects in the areas of health, education, technology, clean water supply, among others. Other cooperation agreements were also signed. Both countries have exchanged diplomatic envoys. On December 13, 2018, El Salvador delivered a termination notice to Taiwan related to the bilateral free trade agreement which entered into force in March 2008. The termination notice was delivered due to the severing of diplomatic ties between El Salvador and Taiwan. See "Foreign Trade and Balance of Payments - Regional Integration and Free Trade." President Bukele has ratified diplomatic relations with China. On December 2, 2019, President Bukele carried out an official state visit to China. During the visit, both countries signed a cooperation and investment agreement aimed at promoting bilateral tourism, commerce, transportation, textiles and infrastructure sectors.

Diplomatic Relations with Guatemala and Honduras

In December 2021, El Salvador, Honduras and Guatemala began the process of working towards the integration customs union. Four land ports of entries adopted an anticipated customs declaration aimed at improving the speed and transfer of goods. In December 2023, the first fully integrated customs posts in *El Amatillo* in the border with Honduras began operations. The Northern Triangle Countries now have a combined import schedule which further reduces the time it takes to cross from one country to the other.

In 2024, El Salvador plans to implement a joint electronic invoicing system with Honduras and Guatemala.

Partnership for Prosperity Plan of the Northern Triangle

In 2014, the Northern Triangle countries formulated a common five-year initiative, titled the Partnership for Prosperity Plan of the Northern Triangle, as a response to the increased flow of unaccompanied minors from the Northern Triangle into the United States.

In 2015, the three countries agreed on the Plan's guidelines to address the conditions that encourage migration out of the Northern Triangle. In particular, the Plan contains four strategic lines of action: revitalizing the economies of the participating countries to promote economic opportunity, developing opportunities for human capital, improving public safety and access to the legal system, and strengthening institutions to increase the trust of the population towards the state.

In 2015 and 2016, efforts were made to reduce irregular immigration, especially that of unaccompanied minors. These measures and actions include awareness campaigns through media and social networks regarding the risks of irregular immigration, the strengthening of consular networks and migrant welcome centers, increased measures against human trafficking and social and economic inclusion of returning migrants.

The Plan was supported by the United States government under then-President Obama's administration and terminated when President Obama left office. Subsequently, the United States government has focused on working bilaterally with El Salvador, Guatemala and Honduras.

COVID-19

The outbreak of Coronavirus disease 2019 ("COVID-19") has had a significant adverse impact on the world economy. COVID-19 was reportedly first detected in Wuhan, Hubei Province, China, and first reported to the World Health Organization ("WHO") country office in China on December 31, 2019. On January 30, 2020, the WHO declared COVID-19 a public health emergency of international concern and on March 11, 2020, declared the outbreak a pandemic. COVID-19 has had numerous worldwide effects on general commercial activity, including in El Salvador.

On March 14, 2020 and March 15, 2020, the Legislative Assembly enacted Decrees No. 593 and 594, which, respectively, declared a state of national emergency regarding COVID-19, which was extended until May 16, 2020 and then by a resolution of the Constitutional Chamber of the Supreme Court of Justice until May 29, 2020, and instituted temporary restrictions of specific constitutional rights in order to respond to the COVID-19 pandemic, which restrictions have already expired. The Government implemented various protective measures, aimed at preserving public health and reducing the negative impact on the economy. The main fiscal measures implemented included (i) a US$150 salary raise for all employees of the Ministry of Health and other public institutions affected by COVID-19; (ii) a one-time US$300 subsidy for approximately 75% of all households; (iii) a three-month deferral of utility payments; (iv) a three-month extension for income tax payments for taxpayers operating in the tourism sector with a taxable income lower than US$25,000, taxpayers operating in the electricity and telecommunication sectors, and all taxpayers with a tax obligation below US$10,000; (v) a three-month exemption from the special tourism tax for companies operating in the tourism industry; and (vi) a temporary elimination of import duties on essential medical and food imports. Temporary monetary and financial measures include (i) lowering banks' reserve requirements by 25% of the increase in their loan portfolio to defined economic sectors; (ii) reducing banks' reserve requirements for deposits to 10%; (iii) imposing a temporary moratorium on local currency credit risk ratings until March 2021; and (iv) temporarily relaxing lending conditions for loan repayments. Additionally, the Government implemented social distancing and stay-at-home measures such as suspension of all non-essential activities, closure of schools and universities and shutting down the country's borders for all non-Salvadoran citizens, with the exception of diplomats and residents. Employment stability had been guaranteed for any worker who was quarantined as a result of COVID-19 for a period of three months after the termination of quarantine measures. Through legislative decrees the Republic also suspended administrative and judicial legal terms and deadlines until June 10, 2020. See "The Salvadoran Economy—Economic and Social Policies—Other Recent Legislation Affecting the Salvadoran Economy." Airports and land borders began to reopen gradually beginning on September 19, 2020. They were fully operational by October 2020.

Legislative Decree No. 608 (as published in the *Diario Oficial* on March 26, 2020), approved financings for up to US$2.0 billion to be used by the Republic to finance the *Fondo de Emergencia y de Recuperación y Reconstrucción Económica*, the national fund aimed at addressing the public health and economic disaster caused by the COVID-19 outbreak. In terms of the breakdown of these financings, Legislative Decree No. 608 authorized the Government to raise the US$2.0 billion through (i) international capital market transactions, (ii) local capital market transactions, (iii) contracting loans with multilateral financing institutions or (iv) contracting loans with commercial banks. Legislative Decree No. 640 (as published in the *Diario Oficial* on May 5, 2020) authorized the Government to raise the US$1.0 billion for general budgetary purposes and for the recovery of Salvadoran Economy by means of (i) international capital market transactions, (ii) local capital market transactions, (iii) loans with multilateral financing institutions or (iv) loans with commercial banks.

Economic Impact of COVID-19

To contain the spread of COVID-19, El Salvador adopted strict measures to prevent the effects of the virus, even before the World Health Organization (WHO) declared it a pandemic. These measures included travel restrictions, closure of educational centers, mandatory quarantine for exposed citizens, suspension of non-essential public and private sector operations, establishment of quarantine containment centers, among others. The containment measures, together with the global economic recession, had a significant impact on economic activity in the short term, as well as a direct impact on public finances, causing a loss of tax revenue and an increase in the fiscal deficit and a deterioration of the external sector of the country.

In 2020, the Salvadoran economy contracted by 7.9%, principally as a result of the economic effects of COVID-19. The contraction was similar in nature to the effects observed worldwide. With respect to the productive sectors of the economy, the sectors that registered growth were electricity, gas, steam and air conditioning supply (13.1%), financial and insurance activities (7.3%), water supply, sewage and waste management (2.7%) and public administration and defense (2.5%). The other sectors of the economy reported contractions, including wholesale and retail trade, repair of motor vehicles and motorcycles (-13.3%), manufacturing (-14.0%), construction (-17.8%), transportation and storage (-13.6%), accommodation and food service (-18.9%) and healthcare and social activities (-5%). From the spending perspective, the contraction of the Salvadoran economy was reflected in all sectors, with the exception of public spending, which increased 8.7%. On the other hand, public investment decreased 11.2%, private investment contracted 7.2%, household consumption spending decreased 8.0% and imports and exports registered decreases of 14.8% and 24.6%, respectively.

The COVID-19 pandemic also had adverse impacts on foreign trade. In 2020, merchandise exports totaled $4,805.4 million, a reduction of 18.6% compared to 2019. Demand for Salvadoran goods by the United States contracted by 21.3%. Demand from the C-4 countries (Guatemala, Honduras, Nicaragua and Costa Rica) similarly contracted. Guatemala, the largest buyer of Salvadoran merchandise, purchased US$789.1 million of goods, representing a reduction of 16.1% compared to 2019. Honduras followed with purchases of US$747.7 million of goods, 20.3% less in 2019. Merchandise exports to Nicaragua and Costa Rica also registered decreases of 13.2% and 18.0%, respectively, compared to 2019.

The COVID-19 pandemic negatively affected the Government's revenues in 2020. In particular, the non-financial public sector, excluding pensions, registered a deficit of US$2,196.3 million, equivalent to 8.8% of GDP, an increase of 7.0% compared to 2019. The increase was mainly due to a decrease in income of US$409.1 million (6.7%) and an increase in expenditures of US$1,307.7 million (19.7%). Tax revenues, including Special Contributions, decreased to US$4.6 billion, a 5.9% decrease compared to 2019, mainly due to quarantine lockdowns, a reduction in economic activities, and a decrease in levels of international trade.

The COVID-19 pandemic also affected the Government's spending in 2020. The Government worked to allocate resources to strengthen the country's health system, for the prevention, detection, treatment, and containment of the virus, as well as to provide basic services to all those who must remain in quarantine centers. Likewise, resources were re-allocated from the 2020 budget for the distribution of temporary relief subsidies to the families and companies most affected by the COVID-19 outbreak. The expenses in the 2020 budget were modified to account for the impact of the COVID-19 pandemic, and this modification was estimated at US$7,918.3 million, an increase of US$1,290.3 million, or 19.5%, with respect to the original 2020 budget. Specifically, the impacts on the budget included (i) the decrease in the collection of current income as a result of the national emergency; (ii) the suspension of different public investment projects, which were deferred to the next fiscal year; (iii) the reorientation of budgetary allocations to attend to the needs generated by the COVID-19 pandemic; and (iv) the suspension of Government purchases of non-essential goods and services, vehicles, and consultant services, among others.

With respect to the reorientation of budgetary allocations, the Legislative Assembly approved an increase of US$46.0 million from the Japanese International Cooperation Agency ("JICA"), which was used to support the Fund for Civil Protection, Prevention and Mitigation of Disasters ("FCPPMD"). The FCPPMD was created to secure financial resources for recovery from natural disasters and was used to meet needs that arose as a consequence of the COVID-19 pandemic. The Legislative Assembly also authorized the following movements of budget allocations between public administration institutions: (i) US$8.1 million were reallocated to cover the payment of the National Administration of Aqueducts and Sewers (ANDA)'s operating expenses, due to the fact that, during the state of emergency caused by the COVID-19, payments for drinking water service were deferred for three months without surcharges, which negatively affected ANDA's income; (ii) US$16.0 million were reallocated to pay the salaries of ANDA's employees; and (iii) US$2.1 million were reallocated to help with the payment of the salaries and operating expenses of the *Centro Internacional de Ferias y Convenciones* ("CIFCO"), due to the fact that its facilities were being used as a logistics and operations center to meet needs related to the COVID-19 pandemic, including the adaptation of a specialized temporary hospital to treat COVID-19 patients, which negatively affected CIFCO's income. Additionally, US$508.1 million were reallocated to strengthen the FCPPMD and to fund the "Food Basket" Program, through which Salvadoran families who lost their employment and were economically affected by the COVID-19 pandemic were temporarily supported through the delivery of a basic food basket.

On March 26, 2020, El Salvador, through Legislative Decree No. 607 (as published in the Diario Oficial on March 26, 2020), suspended the effects and obligations of the *Ley de Responsabilidad Fiscal para la Sostenibilidad de las Finanzas Públicas y el Desarrollo Social* temporarily, while the effects of the national emergency caused by the COVID-19 pandemic continued. As a consequence of this, the fiscal parameters and goals established in the law were suspended. Further, Legislative Decree No. 607, allowed for the *Marco Fiscal de Mediano y Largo Plazo 2019-2029* (the "2019-2029 Framework") to be updated according to the economic and social conditions of the country once the national emergency caused by the COVID-19 pandemic ends.

Financing for COVID-19 Response

In response to the COVID-19 pandemic, the Government took a number of legislative and budgetary actions. In this regard, the Republic was authorized to incur up to US$3.0 billion in indebtedness to address the public health emergency and economic crisis causes by the COVID-19 pandemic. El Salvador's goal was to maximize use of concessional financing, primarily from multilateral financial institutions. It was the intention of the Republic, subject to requisite congressional approvals and final approvals from each entity, to fund at least US$1.7 billion, or 56.7% from multilateral financial institutions on concessional terms. El Salvador has raised funds from multilaterals with a weighted average life of 14.9 years and a weighted average cost of 2.1% per annum.

Below is a list of the emergency funds granted from multilateral financial institutions on concessional terms to assist El Salvador in responding to the COVID-19 pandemic:

- **US$389 million from the IMF -** On April 14, 2020, the IMF executive board approved a request from El Salvador for US$389 million of emergency financial assistance under the Rapid Financing Instrument (RFI). The funds, which total 287.2 million in Special Drawing Rights ("SDR") or 100% of El Salvador's quota, were used to help the Republic meet balance of payments needs stemming from the outbreak of the COVID-19 pandemic and to assist critical sectors such as the healthcare system. This emergency financial assistance, which is the first the Republic has received from the IMF in more than 30 years, has a five-year maturity and an approximate annual interest rate of 1.50%. The Legislative Assembly ratified this loan and approved its inclusion into the Republic's budget.

- **US$20 million from the World Bank** – On April 17, 2020, the World Bank approved a US$20 million loan with a 25-year maturity and an approximate annual interest rate of 1.18% to support the Republic's immediate response to the COVID-19 outbreak. On June 22, 2020, the Legislative Assembly, through Legislative Decree No. 675 (as published in the *Diario Oficial* on June 29, 2020), approved the US$20 million loan from the World Bank.

- **US$550 million from the IADB** – On June 22, 2020, the Legislative Assembly, through Legislative Decrees No. 676 and No. 677 (as published in the *Diario Oficial* on June 29, 2020), approved a US$50 million loan and US$250 million loan, from the IADB to support the Republic's immediate response to the COVID-19 outbreak. The US$50 million loan has a 25-year maturity and an approximate annual interest rate of 2.11%. On August 2, 2020, the Legislative Assembly, through Legislative Decree No. 703 (as published in the Diario Oficial on August, 2, 2020) approved a US$250 million loan, from the IADB to support the Republic's immediate response to the COVID-19 outbreak and the country's economic recovery. This loan has been fully disbursed.

- **US$650 million from CABEI** – On July 20, 2021, the Legislative Assembly, through Legislative Decree No. 103 (as published in the *Diario Oficial* on July 20, 2021) and Decree No. 104 (as published in the *Diario Oficial* on July 20, 2021) approved a US$600.0 million loan and a US$50.0 million loan, each from the CABEI, to provide budgetary support for the Government's COVID-19 response. This loan has been fully disbursed.

- **US$15 million from the OPEC Fund for International Development ("OFID") –** On May 11, 2021, the Legislative Assembly, through Legislative Decree No.13 (as published in the *Diario Oficial* on May 12, 2021), approved a US$15 million loan from OFID to support the Republic's immediate response to the COVID-19 outbreak.

Sanctions

The President of the United Sates, through the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") and the State Department, has designated and sanctioned 10 current and former officials of the Government of El Salvador pursuant to Executive Order 13818 ("E.O. 13818") and the Global Magnitsky Human Rights Accountability Act ("GLOMAG").

E.O. 13818 declares a national emergency with respect to alleged serious human rights abuses and corruption globally, identifying these issues as threats to the national security, foreign policy, and economy of the United States. Under this national emergency, the President of the United States may impose financial sanctions (delegated to the Secretary of the Treasury, in consultation with the Secretary of State and the Attorney General) and visa restrictions (delegated to the Secretary of State) on persons determined unilaterally by the relevant U.S. agencies, to be responsible for or complicit in, or to have directly or indirectly engaged in, among other things, certain human rights abuses or corrupt acts anywhere in the world. E.O. 13818 also implements the Global Magnitsky Act, which is a U.S. statutory authority targeting human rights abusers and corrupt actors globally.

As a result of designations pursuant to E.O. 13818, all of the property and interests in property within U.S. jurisdiction of the designated individuals and entities are blocked, and U.S. persons are generally prohibited from engaging in transactions with them. Persons whose property and interests in property are blocked pursuant to the E.O.13818 are considered to have an interest in all property and interests in property of an entity in which such blocked persons own, whether individually or in the aggregate, directly or indirectly, a 50 percent or greater interest. Consequently, any entity owned in the aggregate, directly or indirectly, 50 percent or more by one or more blocked persons is itself considered to be a blocked person. The property and interests in property of such an entity are blocked regardless of whether the entity itself is listed in the annex to E.O. 13818 or otherwise placed on OFAC's list of Specially Designated Nationals ("SDNs"). Accordingly, a U.S. person generally may not engage in any transactions with such an entity, unless authorized by OFAC.

No sanctioned individual referred to in the previous paragraphs is an official of the Ministry of Finance or of the BCR and no such person will receive and/or have access to any proceeds of the Notes to be issued. El Salvador will use the proceeds from the issuance of the Notes as described under "Use of Proceeds" and in compliance with applicable laws, including OFAC rules and regulations. See "Use of Proceeds."

Internal Security

Territorial Control Plan

On June 20, 2019, the Government announced a comprehensive security plan called the Territorial Control Plan ("PCT") aimed at reducing violence and crime within the Republic. The PCT has been implemented in several phases as described below.

Phase I: Preparation

The objective for Phase I of the PCT was restoration of the Government's presence in areas previously controlled by gangs. The aim was to establish the necessary operational bases for effective intervention by security forces. The strategies included strengthening police infrastructure, the acquisition of tactical equipment and the intensive preparation of security forces. Operational intelligence was increased to identify and prioritize areas in need of intervention. As a result of these efforts, security forces became more visible and present in previously marginalized areas and there was an increase in the capture of criminals and confiscation of illicit weapons in these areas.

Phase II: Opportunities

In Phase II of the PCT, the Government sought to increase opportunities for the youth population, provide alternatives to a life of crime and promote their participation in productive activities. Training and vocational programs were developed, as well as initiatives to promote youth entrepreneurship. Urban Centers for Wellbeing and Opportunities (CUBO) were created in communities considered at high risk of violence. These centers have benefited more than 65,000 Salvadorans, providing safe and enriching environments to keep young people away from violence. The results of these efforts include a decrease in the recruitment of youth by gangs and an increase in enrollment in educational and vocational training programs.

Phase III: Modernization

Phase III of the PCT seeks to modernize and strengthen institutional capabilities of security forces in the country. Seeking to improve the efficiency of the armed forces in their fight against organized crime, this phase introduces cutting-edge technology and state-of-the-art equipment to facilitate communication, as well as updated operating protocols based on efficiency and respect for human rights. These efforts have resulted in the professionalization of the country's security forces and improvement in response times to criminal incidents. This phase has also resulted in the greater collaboration between various state institutions, such as the security forces and the Attorney General's Office.

Phase IV: Recruitment and Intervention

During Phase IV of the PCT, additional troops were brought into the armed forces and National Civil Police to strengthen the Government's presence in critical areas and to improve the Government's capacity to respond to criminal activities. An intensive recruitment and training process was carried out to select and prepare qualified candidates to address issues relating to national security. Interventions were also carried out in territories with prevalent gang presence to capture their members and counteract their criminal activity. As a result of these activities, 235 new police officers and 1,046 new soldiers were incorporated into the country's security forces to assist with preventing and combatting crimes taking place throughout the country. An increase in security and surveillance was observed in previously vulnerable areas, as well as a general strengthening of the public security system.

Phase V: Extraction

In Phase V of the PCT, an effort was made to pursue members of gang organizations, capture them and remove them from the community. Security fences were raised in high-risk communities to aid in the pursuit of gang members. New prison facilities were built, and existing facilities were improved. This phase has increased public confidence the country's law enforcement capability, as well as increased reporting of crime by citizens. This phase has also helped to reduce overpopulation in prisons and has led to an improvement in detention conditions.

Phase VI: Integration

Phase VI of the PCT was launched in September 2023 with the goal of addressing the social origins of gangs and criminality through community integration and development. The National Integration Directorate was created to supervise community development initiatives and crime prevention programs. This phase includes collaborations between civil society organizations and international agencies to develop projects that strengthen community resilience.

Exception Regime

On March 27, 2022, the Legislative Assembly approved Decree No. 333, pursuant to which it declared a nationwide *régimen de excepción* (the "Exception Regime"). The Exception Regime was declared in response to rampant violent crime which continued to be observed throughout the country. The Exception Regime was declared pursuant to Articles 29 and 30 of the Constitution of El Salvador, which provide for the suspension of certain individual constitutional rights, including freedom of assembly, freedom of association, privacy of communications and other guarantees of due process, in cases of severe public emergencies. Article 29 permits the suspension of these constitutional rights for up to 30 days, which may be extended for additional 30-day periods if the public emergency persists. Decree No. 333 has been extended monthly since its passage. Decree No. 964 has extended the Exception Regime until April 10, 2024 and is expected to be further extended. The main objective of the Exception Regime is to assist the country's law enforcement and security forces in reestablishing public order and providing for the safety of law-abiding citizens throughout the country.

Crime Reduction

The PCT and the Exception Regime have enabled the Government to recover territories previously controlled by gangs in rural and urban areas, limited the expansion of criminal enterprises and decreased violent crime, primarily homicides. To date, there have been more than 76,000 gang members captured and imprisoned during the implementation of the Exception Regime. This constitutional measure, together with the implementation of the PCT, has made it possible to neutralize the criminal actions of gangs, which is reflected in the reduction of homicides at the national level since its implementation.

For the year ended 2019, there was an average of 38 homicides per 100,000 inhabitants, which was a decrease from the 53 homicides per 100,000 inhabitants reported in 2018. In 2020, 2021 and 2022, the homicide rates were 21.2, 18.1 and 7.8, respectively, per 100,000 inhabitants. In 2023, the homicide rate in El Salvador further declined to 2.4 per 100,000 inhabitants. As of January 17, 2024, the homicide rate for 2024 was 1.2 per 100,000 inhabitants. During President Bukele's administration, there have been a total of 532 days without any reported homicides.

The following tables reflects total incidences of crime by type in each of the years indicated.

Incidences of Crime

	2020	**2021**	**2022**	**2023**
Homicide	1341	1147	495	154
Extortion	1407	1498	1266	934
Robbery	673	774	442	294
Rape	738	994	926	1004
Theft	683	840	633	769

Source: *Ministry of Security and Justice*

THE SALVADORAN ECONOMY

Economic and Social Policies

During President Bukele's administration, important agreements have been reached with the different political parties represented in the Legislative Assembly, to achieve the following:

- Legislative Decree No. 217, as published in the *Diario Oficial* on December 21, 2018 authorized the issuance of securities up to the amount of US$1,297.0 million in local and/or international markets. On July 30, 2019, the Republic issued US$1,097,000,000 of its 7.1246% Notes due 2050. In addition, the Republic entered into a US$200,000,000 loan with the IADB.

- Legislative Decree No. 640 (published in the *Diario Oficial* on May 5, 2020), approved financing for up to US$1.0 billion to be used by the Republic for general budgetary purposes as well as the creation of a trust for the economic recovery of enterprises registered as employers in the Instituto Salvadoreño del Seguro Social ("ISSS") and informal enterprises and industries that were affected by the COVID-19 outbreak and related shutdown. In terms of the breakdown of these financings, Legislative Decree No. 640, authorizes the Government to raise the US$1.0 billion through (i) international capital market transactions, (ii) local capital market transactions, (iii) contracting loans with multilateral financing institutions or (iv) contracting loans with commercial banks. On September 21, 2020, a citizen of El Salvador filed a challenge with respect to the constitutionality of Decree No. 640 before the Constitutional Chamber of the Supreme Court of Justice of El Salvador. The claimant alleges that Decree No. 640 was not enacted in accordance with the requirements of Art. 131 and Art. 148 of El Salvador's Constitution. Pursuant to Art. 148 of the Constitution, a two-thirds majority of members of the Legislative Assembly must vote in favor in order to approve any financial transactions of the Republic, including the issuance of securities. Decree No. 640 was approved by the Legislative Assembly on May 5, 2020, with 56 members (exactly two-thirds) voting in favor. Twelve of the members that voted in favor were alternate deputies. Art. 131 of the Constitution provides, in part, that an elected member within the Legislative Assembly can be substituted if he or she is unable to exercise his or her function. The challenge argues, based on case law, that this inability should be unforeseen and out of the member's control. The list of alternate deputies was read out at the beginning of the session, but no justification was given for the substitution of the regularly elected deputies or why they could not attend. The challenge alleges that this simple substitution of deputies did not comply with the constitutional requirements for calling in alternate members. Citing a case from June 2015, in which a similar constitutional challenge was presented against an authorization for an issuance of securities due to the use of alternate members to reach the necessary vote threshold and the Constitutional Chamber ordered the decree suspended before the issuance of any bonds, the challenge argues that if members are substituted for an unjustified cause, this should invalidate the substitution decision. The claimant therefore requests that the Constitutional Chamber declare the Decree unconstitutional. On January 11, 2023, the Constitutional Chamber of the Supreme Court of Justice resolved to dismiss the challenge.

- Legislative Decree No. 685 (as published in the *Diario Oficial* on July 17, 2020), approved the Trust Creation Law for the Economic Recovery of Salvadoran Companies, which regulates the creation and administration of the Trust. This Trust of US$600.0 million will be administered by the Development Bank of El Salvador ("BANDESAL") to help promote the economic recovery of enterprises registered in the ISSS and informal enterprise and industries that were affected by the COVID-19 outbreak and related shut down.

- Implementation of various protective measures aimed at preserving public health and reducing the negative impact on the economy of the COVID-19 pandemic. The main fiscal measures implemented included (i) a US$150 salary raise for all employees of the Ministry of Health and other public institutions affected by COVID-19; (ii) a one-time US$300 subsidy for approximately 75% of all households; (iii) a three-month deferral of utility payments (including water, electricity and telephone bills); (iv) a three-month extension for income tax payments for taxpayers operating in the tourism sector with a taxable income lower than US$25,000, taxpayers operating in the electricity and telecommunication sectors, and all taxpayers with a tax obligation below US$10,000; (v) a three-month exemption from the special tourism tax for companies operating in the tourism industry; and (vi) a temporary elimination of import duties on essential medical and food imports. Temporary monetary and financial measures include (i) lowering banks' reserve requirements by 25% of the increase in their loan portfolio to defined economic sectors; (ii) reducing banks' reserve requirements for deposits to a total of 10%; (iii) imposing a temporary moratorium on local currency credit risk ratings until March 2021; and (iv) temporarily relaxing lending conditions through a grace period for loan repayments. Additionally, the Government had implemented social distancing and stay-at-home measures such as suspension of all non-essential activities, closure of schools and universities and shutting down the country's borders for all non-Salvadoran citizens, with the exception of foreign diplomats and residents. Employment stability had been guaranteed for any worker who was quarantined as a result of COVID-19 for a period of three months after the termination of quarantine measures. Through legislative decrees, the Republic had also suspended administrative and judicial legal terms and deadlines until June 10, 2020. See "—Other Recent Legislation Affecting the Salvadoran Economy."

- Legislative Decree No. 661, published in the *Diario Oficial* on September 22, 2020, enacting the Special Law on Emergency, Health Care and Reopening of the Economy. The decree was initially vetoed by President Bukele, who considered it unconstitutional. The Legislative Assembly overcame the President's veto on June 25, 2020, and on August 19, 2020, the Constitutional Chamber of the Supreme Court of Justice ruled that Decree No. 661 was constitutional. President Bukele sanctioned Decree No. 661 on August 31, 2020. This Decree established a 15-day state of emergency throughout the country, measures to regulate the gradual reopening of economic activity, including health measures for job sites, and the possibility of extending the quarantine in the event that the infection rate does not level.

Pensions and Savings Reform of 2022

The pension reform that came into effect in December of 2022 was developed through the implementation of three new legal bodies: (i) Comprehensive Law of the Pension System, approved by Legislative Decree No. 614, dated December 20, 2022,which repealed the previous Pension Savings System Law from 1996 ; (ii) the Law of Creation of the Salvadoran Pension Institute ("ISP"), approved by Legislative Decree No. 615, dated December 20, 2022; and (iii) the Special Law for the Issuance of Certificates of Pension Obligations and Dissolution of the Pension Obligations Trust, approved by Legislative Decree No. 616, dated December 20, 2022.

This reform did not introduce changes related to the retirement age, the years of contributions to be entitled to a pension, or the formula for calculating the pension. The most relevant changes were the following:

- The system's contribution rate was increased by 1 percentage point, from 15% to 16%. This increase was assumed by the employer, with the employer's contribution reaching 8.75%, and the worker's contribution remaining at 7.25%. The distribution of said contribution was determined as follows: 9% for the individual account, 6% for the solidarity guarantee account, 1% AFP (pension fund administrator) commission.
- Through the new distribution of contributions, the commission for the administration of pension funds for the AFPs was set at 1% and the contribution for disability insurance was eliminated. The Pension Fund defines obligations for the granting of disability pensions.
- The contributory salary ceiling was eliminated and a limit on the maximum pension of US$3,000.00 was established for all present and future pensioners.
- A policy was established to ensure that retirees who continue to work will continue to contribute to the system. However, they will be entitled to reimbursement of these contributions in the month of their anniversary.
- A special contribution of 7% on the pension was established for pensioners with a pension greater than six times the minimum pension.
- A general increase of 30% was established for all old-age pensions for pensioners under both the public and private pension systems.
- The policy permitting the early withdrawal of up to 25% of the savings of contributors with more than ten years of contributions was repealed.
- The formulas for calculating future pensions were retained and will increase by 30%. This increase is conditional on the existence of an advance payment of the balance pending repayment.
- The State will no longer pay differentials for minimum pension. Instead, this financing will be assumed by the Solidarity Guarantee Account for pensioners of the Pension Savings System and for those of the Public Pension System, through the issuance of Certificates of Pension Obligations.
- The Salvadoran Pension Institute (ISP) was created to assume the functions of the National Pensions Institute for Public Employees (*Instituto Nacional de Pensiones de los Empleados Publicos*, "INPEP"). It also assumed responsibilities for the administration and issuance of pension debt.
- The obligations of the Public Pension System will be financed with the issuance of Certificates of Pension Obligations by the ISP.
- The Special Law for the Issuance of Pension Obligations Certificates (CIP) and Dissolution of the Pension Obligations Trust created a new financing mechanism for the payment of pensions of the public system and the creation of Certificates of Pension Obligations (COP). These certificates will be issued by the ISP and will replace the issuances of CIP A and CIP B.

Likewise, the aforementioned law established that the ISP, with the purpose of improving the profitability of pension funds, must carry out a one-time replacement of the existing pension debt with a new title called Transition Financing Certificate ("CFT"). On May 9, 2023, S&P considered the Salvadoran Pension Debt exchange of local bonds previously issued into new local bonds with a longer maturity as a distressed debt exchange and downgraded the rating to SD (Selective Default) for one day. On May 5, 2023, Fitch downgraded El Salvador's rating to RD (Restricted Default) following the execution of such debt exchange. Following the conclusion of the exchange on May 10, S&P upgraded the short- and long-term sovereign debt rating to CCC+ and moved the outlook to stable, while Fitch upgraded El Salvador's ratings to CCC+. Lastly, on November 7, 2023, S&P upgraded El Salvador's long-term sovereign ratings to B- and a stable outlook, indicating the reduced risk of financing achieved through the reprofiling of local debt.

Other Recent Legislation Affecting the Salvadoran Economy

Other legislation and its amendments enacted or amended since 2018 include the following:

2018

- The Assets Securitization Law was amended in July 2018 with the objective of encouraging more competition and expanding the types of financial products available. The latest reform was carried out on December 5, 2019. It integrated more elements to securitization contracts and security holders.
- The *Ley de Mejora Regulatoria* ("Law for Regulatory Improvement"), was enacted by the Legislative Assembly in December 2018. The purpose of this law is to eliminate unnecessary regulations and improve efficiency in the economy.

2019

- In June 2019, the National Committee for the Promotion of Commerce began implementing a national strategy for the promotion of commerce. The main goals of the strategy include a) reduction of red tape; b) modernizing logistical infrastructure; c) coordinated administration of borders; d) modernizing the legal framework of foreign trade; e) transparency and availability of information; and f) human resource management.

2020

- The *Ley Especial y Transitoria, que Otorga Facilidades para el Cumplimiento Voluntario de Obligaciones Tributarias y Aduaneras* ("Special and Transitory Law, which Allows for the Voluntary Compliance with Tax and Customs Obligations"), enacted on December 23, 2019, which grants taxable persons an amnesty for taxes administered by the General Directorate of Internal Taxes and by the General Directorate of Customs for a period of eight months. As of September 30, 2020, an estimated US$58.9 million has been collected in taxes. This law was extended until December 31, 2020, due to the COVID-19 pandemic. The total yield of Decree No. 521 and its extensions was US$93.3 million.

2021

- The Electronic Securities Law (*Ley de Títulos Valores Electrónicos*), published in the Official Gazette on January 12, 2021, regulates electronic securities: their issuance, circulation, acceptance, endorsement and other exchange acts. These electronic securities are created in a data message and comply with the particular requirements of each security regulated in the Commercial Code. They also use an electronic signature. They will enjoy functional equivalence with other securities and will produce the same legal effects, so no additional requirements should be created for those regulated under the Commercial Code.
- The *Ley de Comercio Electrónico* ("E-Commerce Law"), was enacted by the Legislative Assembly in October 2019. This law will come into force on February 10, 2021. The purpose of this law is to establish a legal framework for electronic commercial and contractual transactions, carried out by digital, electronic or technologically equivalent means.
- Through Legislative Decree No. 173 dated October 5, 2021, the Government enacted another temporary amnesty law, providing procedures for voluntary compliance by taxpayers with tax and customs obligations by December 10, 2021. Between 2021 and 2022, approximately US$138.8 million was collected in back taxes as a result of the tax amnesty law.
- The Bitcoin Law (*Ley Bitcoin*), published in the Official Gazette on June 9, 2021, regulates bitcoin as legal tender in the Republic, providing it with unrestricted and unlimited clearance power in any transaction that natural persons, or public or private legal entities, carry out in any capacity. The law requires businesses to accept Bitcoin as a medium of exchange and to use it as a form of payment for taxes and debts.
- Technical Rules to Facilitate the Participation of Financial Entities in the Bitcoin Ecosystem (*Normas Técnicas para Facilitar la Participación de Entidades Financieras en el Ecosistema Bitcoin)*(NRP-29) were approved by the Rules Committee of the Central Reserve Bank on September 7, 2021. They establish the rules under which traditional financial entities may provide bitcoin services to their users.
- The Guidelines for the Authorization of the Operation of the Technological Platform for Services with Bitcoin and Dollars (*Lineamientos para la Autorización del Funcionamiento de la Plataforma Tecnológica de Servicios con Bitcoin y Dólares*) were approved by the Central Reserve Bank on September 7, 2021. They establish rules under which technological platforms offering services with bitcoin and US dollars may provide these services to their users.

- During the period from October 2021 to July 2022, there was a recovery of payments for tax and customs obligations through the fiscal amnesty outlined in Legislative Decree No. 173 dated October 5, 2021, resulting in a collection of US$138.8 million. In August 2022, another fiscal amnesty was approved through Legislative Decree No. 478, and from August 24, 2022, to June 30, 2023, a collection of US$114.5 million has been obtained. There is a reported outstanding balance of authorized payments through resolutions amounting to US$13.1 million.
- The Law Creating the General Directorate of Energy, Hydrocarbons and Mines (*Ley de creación de la Dirección Nacional de Energía, Hidrocarburos y Minas*) was issued on October 26, 2021. This law establishes that the Directorate must comply with the policies, strategies, plans and regulations of the energy, hydrocarbon and mining sectors.
- The Law of Reforms to the Credit Card System (published on December 14, 2021) regulates, among other things, the elimination of the charge for all types of credit card memberships with an availability limit less than or equal to US$2,000. Likewise, issuing credit cards that have not been requested by people is prohibited.

2022

- The latest reform to the *Ley Contra la Usura* ("Law Against Usury") was published on February 22, 2022 and prohibits charging interest on interest; limits penalties for prepayment of the loan; regulates zero-rate term purchase operations; regulates the Central Bank's power to report infractions to supervisory entities; and clarifies the responsibilities of the Central Bank, such as the obligation to inform judges about the registration of a creditor and the maximum effective interest rate.
- The "Grow Together" Law *(Ley crecer juntos para la protección integral de la primera infancia, niñez y adolescencia)* was issued on June 22, 2022, which aims to guarantee the full exercise and enjoyment of the rights of every girl, boy and adolescent and facilitate compliance with their duties, regardless of their nationality.
- Through Legislative Decree No. 478, dated August 24, 2022, the Government enacted its most recent temporary amnesty law, providing procedures for voluntary compliance by taxpayers with tax and customs obligations by November 1, 2022. Between 2022 and 2023, approximately US$127.6 million was collected in back taxes as a result of the tax amnesty law.
- The Comprehensive Law of the Pension System (*La Ley Integral del Sistema de Pensione*s) was approved on December 20, 2022, under Decree No. 614 and aims to create the Pension System for workers in the private, public and municipal sectors, which will be subject to the regulation, coordination and management of the Republic. The law establishes rules and measures that the Pension Fund Administrators must apply in the administration of benefits to their members. These benefits cover the risks associated with old age, disability and death in accordance with the provisions of said law.
- The Law Creating the Salvadoran Pension Institute (*La Ley de Creación del Instituto Salvadoreño de Pensiones)* was approved on December 20, 2022, under Decree No. 615. The law created the Salvadoran Pension Institute (ISP), which aims to ensure the stewardship and sustainability of the Public Pension System.
- The Special Law for the Issuance of Certificates of Pension Obligations and Dissolution of the Pension Obligations Trust was on December 20, 2022, under Decree No. 616. It aims to ensure sustainable financing sources for the fulfillment of pension rights. This law also empowers the Salvadoran Pension Institute to issue certificates of pension obligations.

2023

- The Law on the Issuance of Digital Assets (published in the Official Gazette on January 24, 2023) established the legal framework for operations of any title of digital assets that are used in the issuance of public offers carried out in El Salvador.
- The Public Procurement Law, issued on January 25, 2023 aims to establish the basic rules that will regulate the public procurement cycle. This cycle consists of planning, selection of the contractor, contracting, monitoring and settlement of the contracts. contracting of works, goods and services of any nature that the public administration carries out. An amendment to the law was approved on March 22, 2023, to include additional government agencies. An additional reform was made to the public procurement law on May 11, 2023, in order to harmonize said law with the Simplified Law on Procurement for Municipal Works to improve services for the population.
- In January of 2023, the Law Concerning the Dissolution, Liquidation and Transfer of Functions of the General Directorate of Statistics and Censuses (*Ley de disolución, liquidación y traslado de funciones de la Dirección General de Estadística y Censos* "DIGESTYC") enacted on August 11, 2022, dissolved the Directorate within a period not exceeding one hundred and twenty calendar days, counted from the effective date of the law. These functions were transferred to the Central Reserve Bank.
- Temporary Technical Rules for the Calculation of the Liquidity Reserve (*Las "Normas Técnicas Temporales para el Cálculo de la Reserva de Liquidez sobre Deposito y otras Obligaciones*) (NPBT-11), aim to establish new temporary

parameters for the liquidity reserve requirement, so that entities have greater financial resources to support the dynamism and growth in the placement of credits to the different economic sectors. These rules are valid until March 26, 2024.

- The Law creating the Investment and Export Promotion Agency of El Salvador ("INVEST") was issued on June 6, 2023. INVEST promotes, articulates and coordinates the national public-private system for maintaining the economic development of the country. It will seek to access new markets, export and manufacturing destinations, thereby promoting and attracting national and foreign private investment.
- The Rules for the Participation of Digital Asset Service Providers in Payment Systems were approved by the Central Bank on October 24, 2023. They are intended to regulate the requirements for entry, participation, suspension and exclusion in the Systems. of Payments administered by the Central Bank, to digital asset service providers.
- The Reform to the Law of Prohibition of Gangs, Groups, Associations and Organizations of a Criminal Nature was issued on November 1, 2023 in order to guarantee Salvadoran citizens territorial control and the full exercise of their fundamental rights.
- At the end of November 2023, another tax amnesty was approved through Legislative Decree No. 875, which concluded on December 8, 2023. The total amount collected was US$37 million, with around US$63 million in payment resolutions for installment plans.

Legislation enacted or amended in response to the COVID-19 pandemic includes the following:

- The *Estado de Emergencia Nacional de la Pandemia por COVID-19* ("National Emergency State of the COVID-19 Pandemic") law enacted in March 2020 through Legislative Decree No. 593 declared a national emergency throughout the Republic of El Salvador, lasting for period of 30 days. This Decree was extended until May 16, 2020 and then by a resolution of the Constitutional Chamber of the Supreme Court until May 29, 2020.
- The *Ley de Restricción Temporal de Derechos Constitucionales Concretos para Atender la Pandemia COVID-19* ("Temporary Restrictions of Specific Constitutional Right to Address the COVID-19 Pandemic") was enacted in March 2020. It declared a temporary restriction on the constitutional rights of freedom of movement, right of assembly and change of address for a period of 15 days. The effects of this Decree have ended and have not been extended as of July 2, 2020.
- The *Ley de Responsabilidad Fiscal para la Sostenibilidad de las Finanzas Públicas y el Desarrollo Social* ("Fiscal Responsibility for the Sustainability of Public Finances and Social Development Law") was temporarily suspended while the effects of the National Emergency of the COVID-19 pandemic lasted. Further, Legislative Decree No. 607, allows for the 2019-2029 Framework to be updated according to the economic and social conditions of the country once the national emergency caused by the COVID-19 pandemic ends.
- *Reformas a la Ley de Protección al Consumidor* ("Reforms to the Consumer Protection Law"), enacted in March 2020, establish (i) that anyone who offers or sells goods or services at prices higher than those set by the Consumer Protection Agency will be sanctioned, and (ii) that modified maximum prices of intermediate and final goods for use or consumption in the event of a national emergency, public calamity or disaster, provided they are essential products or services, could be fixed.
- *Ley de facilitación de compras en línea sin fines comerciales* enacted in November 2021, established the regulatory framework to expand exceptions to tax and tariff requirements for items purchased online. Online purchases valued under US$300 were exempt from paying customs duties upon import and were not subject to compliance with non-tariff requirements.
- The *Ley de Regulación del Teletrabajo* ("Remote Labor Law"), enacted in March 2020, establishes the regulatory framework to promote and implement remote working as a labor practice at private enterprises and public offices.
- The *Ley Especial para Facilitar el Acceso al Crédito* ("Special Law to Facilitate Access to Credit"), promulgated in April 2020, aims to establish the conditions for the granting of credit for productive activities, so that regulatory requirements are not an obstacle to accessing credit with financial institutions, whether or not such financial institutions are subject to the regulation of the Salvadoran Central Reserve Bank.The *Reformas a la Ley del Sistema Financiero para el Fomento al Desarrollo* ("Reforms to the Law of the Financial System to Promote Development") were enacted in June 2020 to expand BANDESAL's framework, strengthening its assets and those of the funds it administers and allowing it to help with the growth and development of the economy.
- The *Ley Transitoria para Facilitar el Cumplimiento Voluntario de Obligaciones Tributarias en virtud a la Emergencia Nacional ocasionada por la Pandemia por COVID-19* ("Transitory Law to Facilitate Voluntary Compliance of Tax Obligations under the National Emergency caused by the Pandemic of COVID-19"), enacted in May 2020, grants large, medium and other taxpayers the facility to comply with the filing and payment of the income tax for the period of 2019

until June 30, 2020 without penalty fees, interests and surcharges. It also exempts the advanced payment of income tax, to medium and other taxpayers, for the months of April, May and June 2020; among other tax benefits.

- On June 8, 2020, the Constitutional Chamber of the Supreme Court of Justice ruled Legislative Decree No. 611, which contained certain restrictions to individual constitutional rights, unconstitutional and therefore unenforceable.
- Legislative Decree No. 621 (as published in the *Diario Oficial* on August 14, 2020) regulates the return of Salvadorans who were abroad before the COVID-19 pandemic.
- Executive Decree No. 31 (issued by the Ministry of Health on June 14, 2020) established certain sanitation protocols applicable during the economic reopening during the COVID-19 pandemic. This Decree was substituted by Executive Decree No. 32 on July 29, 2020. Executive Decree No. 32 (issued by the Ministry of Health on July 29, 2020) established further sanitation protocols applicable during the economic reopening. It also established new dates for the gradual economic reopening. Executive Decree No. 32 was declared unconstitutional by the Constitutional Chamber of the Supreme Court on August 7, 2020.
- As part of the reopening of the economy, the Ministry of Labor issued health protocols based on Article 5 of the *Ley General de Prevención de Riesgos en los Lugares de Trabajo* ("General Law for the Prevention of Risks in the Workplace"). These protocols require (i) social distancing in the workplace of at least two meters between employees and clients; (ii) maintaining sanitizing products in the workplace; (iii) promotion of hygiene practices in the workplace; and (iv) mandatory wearing of face masks. Additional specific health protocols vary depending on the industry.
- The *Disposiciones Transitorias a la Ley de la Carrera Docente en el Marco de la Pandemia COVID-19* ("Transitory Modification to the Law on the Teaching Career under the COVID-19 pandemic") (as published in the *Diario Oficial* on October 30, 2020) enables members of school boards to remain in their positions until December 31, 2020, notwithstanding the fact that they have completed their normal terms.
- The Disposiciones Transitorias para la Regulación de Renovación de Matrícula de Empresa y Registro de Locales Ante la Pandemia COVID-19 ("Transitory Regulations to Renew Business Licenses and Premises Registrations during the COVID-19 Pandemic") (as published in the Diario Oficial on November 24, 2020) allowed companies and individual businesspeople to renew their business licenses and premises registrations through the end of 2020 without paying any penalties for expired licenses.

Gross Domestic Product

Real GDP growth in El Salvador averaged 2.1% annually between 2019 and 2023. Total consumption increased in real terms by an average of 2.2% annually during the same period, mainly due to an average annual increase of 4.0% in public consumption and an average annual increase of 1.8% in private consumption. Gross fixed capital formation increased in real terms by an average of 7.5% annually between 2019 and 2023. This was mainly due to an 8.6% average annual increase in private investment and a 2.0% average annual increase in investment public for the same period. Among the key factors that influenced economic activity during the 2019-2023 period were the impact of the COVID-19 pandemic, which temporarily paralyzed some economic activities and resulted in an economic contraction in 2020. Subsequently in 2021, the economy recovered due to strategies implemented and led by the government, such as teleworking and online education services. Other measures included strategies to promote private investment and tourism, the Vaccination Plan against COVID-19, increased public investment for infrastructure works, the application of anti-inflationary measures for specific products, the delivery of basic food baskets to families through the Health Emergency Program and development of the different phases of the Public Safety Plan. Real GDP continued its growth trajectory in 2022 due in significant part to strategies and measures taken by the Government to stimulate particular sectors of the economy, such as tourism, the continuation of anti-inflationary activities, the implementation of measures to combat violence and other criminal activity perpetrated by gangs, which has contributed to improved public security, stimulated commercial activity and facilitated private investment, as well as the development of a public infrastructure strategy. Real GDP grew in 2023 by 3.5% principally as a result of improved public security, which has stimulated the construction and tourism sectors.

In 2019, nominal GDP was approximately US$26.9 billion. In 2019, nominal GDP per capita was US$4,256.9. Real GDP increased by 2.5% in 2019, driven mainly by an increase in consumption of 1.5% and an increase in gross fixed capital formation of 6.3%. The growth in fixed capital formation was mainly due to an increase in private investment of 8.8%. The highest growth rates by economic activity were 9.3% in construction, 9.1% in electricity, gas, steam and air conditioning supply and 4.9% in mining and quarrying. In 2019, normal weather conditions developed, without affecting productive activities. Stability in commodity prices (e.g., oil and derivatives) generated stability in the consumer and producer price indices. In addition, the improved performance of manufacturing sector compared to the previous year, as a result of a favorable environment for foreign trade; beginning the drive to diversify the energy matrix, based on the generation of energy from renewable sources. In addition, the dynamism in construction and production chains associated with the exploitation of mines and quarries and related industries; and growth of remote business services (call centers). The activities that registered a contraction were professional, scientific and technical activities (2.2%), public administration and defense; compulsory social security (0.5%) and education (0.1%), due to a decrease in demand for these services.

In 2020, nominal GDP was approximately US$24.9 billion. In 2020, nominal GDP per capita was US$3,942.6. Real GDP decreased by 7.9% in 2020, mainly due to a 7.2% reduction in gross fixed capital formation and a 5.4% decrease in total consumption. Exports and imports of goods and services decreased by 24.1% and 14.4%, respectively. The explanation for this adverse scenario was due to the health emergency caused by the COVID-19 pandemic, which had multiple economic and social effects in El Salvador, including the temporary closure of productive activities, the imposition of restrictions on mobility and the strong contraction of external demand. The highest growth rates by economic activity during 2020 were 12.9% in supply of electricity, gas, steam and air conditioning, 7.3% in financial and insurance activities and 3.3% in water, sewage and waste management. The highest contraction rates were recorded in arts, entertainment and recreation (40.2%), other service activities (20.3%), accommodation and food service activities (18.9%) and construction (17.8%), due to a reduction in demand for these services as they are considered non-essential.

In 2021, nominal GDP was approximately US$29.0 billion. In 2021, nominal GDP per capita was US$4,591.2. Real GDP increased by 11.2% in 2021, driven mainly by an increase in gross fixed capital formation of 25.3% and an increase in total consumption of 9.4%. Exports and imports of goods and services increased by 29.8% and 28.8%, respectively. The growth resulted from the positive impact of diversification in the industrial sectors with the manufacture of products related to hygiene and personal care, the implementation of the teleworking modality and remote education services, the recovery and increase in levels of employment as a result of new government measures promoting economic recovery, the execution of public investment in strategic projects, including equipping teachers and students in public institutions with computers, and the completion of public infrastructure. These results, as well as those resulting from the Government's programs to protect the population through vaccination against COVID-19 and results of the TCP, among others. The highest growth rates by economic activity during 2021 were recorded in arts, entertainment and recreation (47.8%); accommodation and food service activities (21.5%); transportation and storage (18.9%); wholesale and retail trade, repair of motor vehicles and motorcycles (18.8%); human health and social work activities (18.0%); and administrative and support services activities (17.9%). The only economic sector to experience contraction in 2021 was real estate activities, which registered a decrease of 1.6%. The real GDP growth described above is mainly the result of the progressive recovery of economic activities following the COVID-19 pandemic.

In 2022, nominal GDP was approximately US$32.0 billion. In 2022, nominal GDP per capita was US$5,052.8. Real GDP increased by 2.8% in 2022, driven mainly by an increase gross fixed capital formation of 4.4% and an increase in total consumption of 1.8%. Exports of goods and services increased by 9.1% and imports of goods and services increased by 0.9%. A relevant element in the growth was the development of measures to contain the general rise in prices, caused mainly by the increase in the cost of hydrocarbons. The dynamism of productive activities was determined by various actions and measures implemented, highlighting the strengthening of public security that generated a better climate of security and confidence for the positioning of El Salvador as a tourist destination on a global scale, combined with construction, remodeling and development of tourist spaces such as Surf City, which, along with other attractions and tourist spaces, attracted visits from nationals and foreigners, promoting an energizing effect on economic activities related to tourism. Additionally, the increase in investment in projects for the construction of strategic infrastructure for the economic activity and social development of the country, such as roads, overpasses, construction and/or remodeling of schools and public hospitals; to which were added the efforts of public institutions to facilitate foreign trade and private investment. The electricity industry also increased generation capacity through the *Energía del Pacífico* plant, which began injections in May 2022. In addition, professional services and business support services notably recovered their impact, accompanying the productive activities that demand these services. The highest growth rates by economic activity for 2022 were recorded in electricity, gas, steam and air conditioning (14.6%); and professional, scientific and technical activities (10.7%) and (13.1%) construction. The highest contraction rates were recorded in mining and quarrying (13.8%) and manufacturing (1.6%), which were affected by the reduction in external demand and inflation.

In 2023, nominal GDP was US$34.0 billion, an increase of US$2.0 billion, compared to 2022. In 2023, nominal GDP per capita was US$5,366.2. Real GDP grew by 3.5%, principally as the result of growth in sectors, such as construction, financial services and services in general. The growth in these economic sectors was stimulated by public and private investment in construction projects, hosting of regional and International events (e.g., XXIV Central American Games and Miss Universe competition) and the notable improvement in public security, which in turn promoted domestic and international tourist activity. The economic sectors that experienced the highest growth rates in 2023 were construction (17.9%), electricity, steam and air conditioning supply (14.6%), professional, scientific and technical activities (11.1%) and art, entertainment and recreation (10.2%). The growth in these sectors was partially offset by contraction in the following sectors: manufacturing (3.4%) and mining and quarrying (0.6%).

The following tables set forth the Republic's real GDP growth and evolution by expenditure for the periods presented:

Real GDP and Real GDP Growth by Economic Activity

	For the Year Ended December 31,				
	2019	2020	2021	2022(1)	2023(2)
			Growth rate		
Real GDP growth	2.4%	(7.9%)	11.2%	2.8%	3.5%
Real GDP growth by activity					
Mining and quarrying	4.9%	(10.3%)	4.6%	(13.8%)	(0.6%)
Construction	9.3%	(17.8%)	6.6%	13.1%	17.9%
Administrative and support service activities	2.9%	(5.2%)	17.9%	9.9%	4.6%
Accommodation and food service activities	2.8%	(18.9%)	21.5%	5.4%	2.1%
Professional, scientific and technical activities	(2.2%)	(10.1%)	14.0%	10.7%	11.1%
Human health and social work activities	1.8%	(5.0%)	18.0%	3.8%	0.8%
Wholesale and retail trade, repair of motor vehicles and motorcycles	2.5%	(13.4%)	18.8%	3.9%	2.5%
Information and communication	1.2%	(3.2%)	15.0%	4.2%	4.1%
Manufacturing	2.0%	(14.2%)	11.7%	(1.6%)	(3.4%)
Financial and insurance activities	4.1%	7.3%	6.8%	1.6%	7.5%
Transportation and storage	4.7%	(13.5%)	18.9%	5.3%	1.8%
Public administration and defense; compulsory	(0.5%)	2.5%	1.9%	3.5%	3.9%
Other service activities	2.6%	(18.9%)	20.1%	74.1%	2.6%
Real estate activities	2.1%	(5.9%)	(1.6%)	(0.2)%	0.6%
Education	(0.1%)	(4.4%)	6.8%	1.7%	0.7%
Arts, entertainment and recreation	0.7%	(40.2%)	47.8%	9.2%	10.2%
Agriculture, livestock farming, forestry and fishing	1.0%	(4.4%)	3.2%	(1.2%)	0.4%
Water supply, sewage and waste management	0.5%	3.3%	13.9%	2.8%	0.4%
Electricity, gas, steam and air conditioning supply	9.1%	12.9%	3.3%	14.6%	14.6%

(1) Preliminary.
(2) Estimated.

Source: *Central Bank of El Salvador.*

The following table sets forth the Chained Volume Indices of GDP, by expenditure for the periods presented:

Chained Volume Indices of GDP by Expenditure

	For the Year Ended December 31,				
	2019	2020	2021	2022[1]	2023[2]
			(reference year 2014)		
Consumption					
Public Sector Consumption	103.3	112.3	122.4	121.0	124.9
Private Consumption	110.0	101.1	110.7	113.5	117.4
Total Consumption	**108.9**	**103.1**	**112.8**	**114.8**	**118.7**
Gross Investment	**128.0**	**113.4**	**160.9**	**152.7**	**137.1**
Public Sector	138.5	134.8	132.6	117.2	156.1
Private Sector	132.6	122.1	158.4	168.4	179.1
Fixed Capital Formation	133.3	123.7	155.0	161.8	176.1
Exports of goods and services	**117.9**	**89.5**	**116.2**	**126.8**	**133.4**
Imports of goods and services	**112.9**	**96.6**	**124.4**	**125.5**	**123.7**
Real GDP	**112.6**	**103.7**	**116.1**	**119.3**	**123.5**

(1) Preliminary
(2) Estimated

Source: *Central Bank of El Salvador.*

The following table sets forth real contributions to GDP, by expenditure in percentage terms, for the periods presented:

Real Contribution of the Expenditure to GDP

	For the Year Ended December 31,				
	2019	2020	2021	2022[1]	2023[2]
			(percentages)		
Consumption Expenditure	1.5	(5.2)	9.5	1.8	3.4
Gross Fixed Capital Formation	0.5	(2.1)	7.2	(1.2)	(2.4)
Variation of Inventory	(0.6)	(0.8)	2.8	(2.1)	(4.3)
Exports of Goods and Services	2.5	(7.2)	7.3	2.6	1.6
Imports of Goods and Services	2.0	(6.6)	12.1	0.5	(0.8)
Real GDP	**2.4**	**(7.9)**	**11.2**	**2.6**	**2.2**

(1) Preliminary
(2) Estimated

Source: *Central Bank of El Salvador.*

The following table sets forth El Salvador's nominal GDP by economic activity for the periods presented:

Nominal GDP by Economic Activity
For the Year Ended December 31,

	2019	% of GDP	2020	% of GDP	2021	% of GDP	2022[1]	% of GDP	2023[2]	% of GDP
	(in millions of US dollars, except percentages)									
Manufacturing	$4,182.4	15.6%	$3,673.5	14.7%	$4,376.6	15.1%	$4,809.3	15.0%	$4,763.3	14.0%
Wholesale and retail trade, repair of motor vehicles and motorcycles	$3,096.1	11.5%	$2,695.7	10.8%	$3,295.6	11.3%	$3,757.6	11.7%	$3,972.8	11.7%
Public administration and defense; compulsory social security	$1,973.1	7.3%	$2,180.9	8.8%	$2,306.4	7.9%	$2,463.7	7.7%	$2,650.0	7.8%
Real estate activities	$1,933.4	7.2%	$1,828.5	7.3%	$1,841.2	6.3%	$1,886.7	5.9%	$1,995.3	5.9%
Financial and insurance activities	$1,738.6	6.5%	$1,862.8	7.5%	$2,063.1	7.1%	$2,247.7	7.0%	$2,509.9	7.4%
Construction	$1,604.0	6.0%	$1,383.9	5.6%	$1,591.7	5.5%	$1,938.4	6.1%	$2,297.5	6.8%
Agriculture, livestock farming, forestry and fishing	$1,383.4	5.1%	$1,334.5	5.4%	$1,397.6	4.8%	$1,495.7	4.7%	$1,566.6	4.6%
Transportation and storage	$1,259.7	4.7%	$1,223.3	4.9%	$1,385.3	4.8%	$1,433.7	4.5%	$1,478.1	4.3%
Education	$1,217.0	4.5%	$1,045.6	4.2%	$1,245.7	4.3%	$1,366.4	4.3%	$1,390.4	4.1%
Administrative and support service activities	$1,044.6	3.9%	$1,011.4	4.1%	$1,200.8	4.1%	$1,363.4	4.3%	$1,464.7	4.3%
Information and communication	$852.0	3.2%	$858.5	3.4%	$1,049.5	3.6%	$1,136.6	3.6%	$1,183.8	3.5%
Human health and social work activities	$823.1	3.1%	$813.3	3.3%	$925.2	3.2%	$971.4	3.0%	$1,010.8	3.0%
Electricity, gas, steam and air conditioning supply	$793.1	3.0%	$648.3	2.6%	$830.8	2.9%	$973.9	3.0%	$1,047.5	3.1%
Accommodation and food service activities	$764.0	2.8%	$595.2	2.4%	$741.5	2.6%	$1,003.1	3.1%	$1,093.7	3.2%
Other service activities	$573.7	2.1%	$518.6	2.1%	$579.7	2.0%	$651.9	2.0%	$745.7	2.2%
Professional, scientific and technical activities	$387.8	1.4%	$317.7	1.3%	$384.9	1.3%	$700.1	2.2%	$743.3	2.2%
Water supply, sewage and waste management	$187.6	0.7%	$190.0	0.8%	$213.6	0.7%	$228.9	0.7%	$247.6	0.7%
Arts, entertainment and recreation	$111.6	0.4%	$66.9	0.3%	$103.0	0.4%	$121.0	0.4%	$137.5	0.4%
Mining and quarrying	$75.9	0.3%	$70.0	0.3%	$77.4	0.3%	$84.7	0.3%	$86.2	0.3%
Domestic Services Activities[3]	$315.6	1.2%	$245.5	1.0%	$268.3	0.9%	$0.0	0.0%	$0.0	0.0%
Net Taxes	$2,564.4	9.5%	$2,357.1	9.5%	$3,165.2	10.9%	$3,354.7	10.5%	$3,631.0	10.7%
Total Nominal GDP	**$26,881.1**	**100.0%**	**$24,921.2**	**100.0%**	**$29,043.1**	**100.0%**	**$31,988.9**	**100.0%**	**$34,015.6**	**100.0%**

(1) Preliminary.
(2) Estimated.
(3) In 2021 and 2022, domestic services activities includes other service activities.

Source**:** *Central Bank of El Salvador.*

Principal Sectors of the Economy

The Salvadoran economy depends largely on the services sector, which amounted to US$21,671.1 million and represented 63.7% of the nominal GDP in 2023. The services sector generated on average 69.6% of the country's nominal GDP annually during the period from 2019 through 2023 and grew at an average annual rate of 3.1% during the same period in real terms. The services sector is made up of seventeen economic activities: supply of electricity, gas, steam and air conditioning; water supply, sewage and waste management; wholesale and retail trade, repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities; information and communication; financial and insurance activities; real estate activities; professional, scientific and technical activities; administrative and support services activities; public administration and defense; mandatory social security; education; human health and social work activities; arts, entertainment and recreation; other service activities; and domestic service activities.

The industrial sector has also contributed to the growth of El Salvador in recent years. In 2023, the industrial sector contributed US$7,060.8 million to nominal GDP and represented 20.8% of El Salvador's nominal GDP, compared to US$5,786.3 million and 21.5%, respectively, in 2019. The sector has expanded from 2019 to 2023 by an average annual rate of 0.8%. The industrial sector grew, in real terms, by 3.9%, (15.0%), 10.3%, 2.3% and 2.8% in 2019, 2020, 2021, 2022 and 2023, respectively. The industrial sector is made up of manufacturing and construction activities.

On average, during the period from 2019 through 2023, the primary sector represented 5.2% of nominal GDP and decreased at an average real annual rate of 0.3% during the same period. In 2023, the primary sector represented 4.9% of nominal GDP, equivalent to approximately US$1,652.7 million dollars. The primary sector is made up of agricultural, livestock, forestry and fishing activities, and mining and quarrying activities.

El Salvador has made efforts to improve the country's competitiveness, such as: the construction of roads, improvements to the international airport, implementation of the Tourism Policy with an Emphasis on Surfing and its application program. Likewise, the country has hosted international sporting events and the Miss Universe 2023 beauty pageant. New institutions have been created such as the Secretariat of Commerce and Investment, the National Directorate of Municipal Works and the Secretariat of Innovation. The modernization of the Government also has a new legal framework such as the General Law for the Modernization of the State, which supports its digital transformation and modernization. The National Directorate of Municipal Works develops a program to remodel existing schools and educational centers and build additional ones in urban and rural areas. The Government prioritizes areas of the country that require greater assistance and support, providing digital equipment to low-income students and providing internet access to schools and students in rural areas.

Public hospital infrastructure has been improved and a new general hospital is being built in the capital. New legislation has been approved to provide humanized health care during pregnancy and childbirth, as well as the protection of infancy, childhood and adolescence. Improvements in payment methods have been made with the introduction of Transfer365- a retail payment system that allows interbank fund transfers, payments to suppliers, and other similar functions. It is free and available immediately through the digital channels of participating financial institutions. The implementation of Transfer365 Business is aimed at micro, medium and large companies. Mobile Transfer are being used to make transfers using only the phone number and Transfer365 CA-RD allows users to make payments and transfers to Guatemala, Honduras, Nicaragua, Costa Rica and the Dominican Republic.

Improvements in security conditions have encouraged tourism and investment in the country.

Manufacturing

On average, manufacturing represented 14.9% of nominal GDP during the period from 2019 through 2023. Following the economic recovery in 2021, the manufacturing sector has been adversely affected by the increase in inflation in 2021 and 2022 and the resulting decrease in external demand, particularly in the textiles and *maquila* sectors. As a result, manufacturing decreased, on average, at an annual rate of 1.1%, in real terms, during the period from 2019 through 2023.

In 2019, manufacturing increased at a real annual rate of 2.0%, mainly due to the greater contribution to growth of beverage manufacturing, manufacturing of milling and baking products, maintenance and repair of machinery and equipment, manufacturing of other mineral products non-metallic and manufacturing of plastic products. The factors that drove growth were the boost in demand for industrial products in construction, the increase in local demand for food and beverages and the rise of aeronautical maintenance services.

In 2020, manufacturing decreased at a real annual rate of 14.2%, mainly due to the decrease in leather and footwear; assembly of other products; manufacturing of textile products; and clothing manufacturing. Because these are activities that depend on external demand, their production was interrupted for a few months due to the COVID-19 health emergency. Additionally, the decline in manufacturing was due to the closure of businesses that were considered non-essential.

In 2021, manufacturing increased at a real annual rate of 11.7%, mainly due to the greater contribution to growth of the manufacture of non-alcoholic beverages, mineral water, textile products, clothing and maintenance, repairs and installation of machines, equipment and products used in production. These increases were due to the combined effect of the increase in domestic and external consumption of goods of industrial origin.

In 2022, manufacturing decreased 1.6%, in real terms, due to the increase in prices of raw materials used in manufacturing, such as petroleum. In addition, the manufacturing sector was adversely affeced by shipping and supply chain issues, which increased the cost of transporting good and raw materials and resulted in production delays.

In 2023, the manufacturing sector contracted, in real terms, by 3.4%, due principally to the decrease in external demand for exports of textiles and *maquila*. The manufacturing sector continued to be adversely affected by the prices of raw materials and other inputs used in manufacturing, which remained persistently high since the 2021-2022 inflationary period.

Net foreign direct investment ("FDI") resulted in an inflow to the manufacturing sector of US$56.9 million and US$46.7 million in 2019 and 2022, respectively, and a net FDI outflow of US$193.0 million and US$39.5 million in 2020 and 2021, respectively. During 2023, net FDI resulted in an inflow to manufacturing of US$101.1 million, an increase of US$54.4 million compared to 2022.

Companies that operate in a free zone regime are exempt from import duties and enjoy income and municipal tax exemptions for their authorized activity. According to the Ministry of Economy, there a total of 206 companies benefiting from the free zones law, of which 123 are located in a free zone, with the remaining 83 operating outside a free zone as warehouses for inbound processing (or DPA, its acronym in Spanish).

Agriculture, Livestock Farming, Forestry, and Fishing

Agricultural, livestock, forestry and fishing activity represented US$1,566.6 million of nominal GDP in 2023 and represented 4.9% of the average nominal GDP of El Salvador from 2019 to 2023. This activity is made up of eleven sub-activities. The most important of these sub-activities are the cultivation of cereals and the collection of fruits; cattle breeding and raw milk production; poultry breeding and egg production; sugar cane cultivation; coffee cultivation and processing; and cultivation of other crops.

This activity has grown at irregular rates in the last five years, affected by climate instability, the proliferation of pests and the increase in production costs. Agricultural, livestock, forestry and fishing activity increased, in real terms, by 1.0% in 2019, 3.2% in 2021 and 0.4% in 2023. In 2020 and 2022, this sector contracted, in real terms, by 4.4% and 1.2% respectively.

In 2019, agricultural, livestock farming, forestry and fishing activity increased by 1.0%, due to the recovery of agricultural production and the decrease in prices of intermediate consumption items such as gasoline and financial services. Similarly, poultry farming and egg production grew during 2019 as a result of greater demand from homes, companies, and restaurants.

In 2020, agricultural, livestock, forestry and fishing activity contracted by 4.4%, mainly due to operational restrictions within the framework of the COVID-19 pandemic, limiting the operation of the productive chain and intermediate demand. Likewise, the occurrence of hurricanes/tropical storms Amanda, Cristóbal, Eta and Iota caused losses in some planted areas due to the overflowing of rivers due to excess rain, affecting crops, livestock farming and fishing activities.

In 2021, agricultural, livestock, forestry and fishing activity increased by 3.2%, mainly due to increases in cultivation of cereals, legumes and oilseeds, cultivation of sugar cane, cultivation and processing of coffee, maritime and freshwater fishing, poultry breeding and egg production and cultivation of vegetables, roots and tubers. Also, the good rainy season of 2021 provided the soil with ideal moisture for the development of agricultural crops and livestock activities.

In 2022, agricultural, livestock, forestry and fishing activity contracted, in real terms, by 1.2%. The sector was adversely affected by high prices of inputs due to persistent inflation and geopolitical tensions derived from conflicts such as the war in Ukraine. The high prices of inputs caused agricultural producers to reduce their use of fertilizers in their crops, which resulted in decreased crop yields. In addition, increases in prices of combustible fuels resulted in increases in transportation costs of agricultural inputs. Domestically, the sector was adversely affected by severe storms caused by the "La Niña" effect, such as tropical storms Blas, Celia and Bonnie. These storms caused torrential rains for extended periods which adversely affected crops.

In 2023, the agricultural, livestock, forestry and fishing sector grew, in real terms, by 0.4%. This growth was due mainly to increases in poultry production, production of milk and cattle production. The sector has benefitted from improvements in demand for milk and meat products, and increases in domestic consumption in general.

Public Administration and Defense; Compulsory Social Security

Public administration and defense; mandatory social security activity contributed US$2,650.0 million of nominal GDP in 2023 and represented an average of 7.9% of El Salvador's nominal GDP between 2019 and 2023. In real terms, the sector grew on average by 2.3% during the same period.

In 2019, public administration and defense; mandatory social security activity decreased by 0.5%, mainly due to a decrease in public investment of 7.5% and a slight increase in public consumption of 0.5%.

In 2020, public administration and defense; mandatory social security activity grew by 2.5%, mainly due to an increase in public consumption of 8.7%, explained by the execution of preparation measures for the management of the COVID-19 that required the guidance of resources from other public institutions, as well as the search for different sources of financing and resources in order to reinforce the work to control the pandemic in health centers, the acquisition of supplies, equipment and medicines for hospitals and health units and work was carried out to adapt the containment centers, and a decrease in public investment of 2.6%. Additionally, food baskets were delivered to the population, as well as financial compensation of US$300 for people who suffered a negative impact on their income as a result of the suspension of non-essential activities.

In 2021, public administration and defense; mandatory social security activity increased, in real terms, by 1.9%, mainly due to a 9.0% increase in public consumption despite a 1.6% decrease in public investment. The increase in this sector was due to the continuity of the vaccination plan against COVID-19, the execution of the "Growing Healthy Together Program" and the hiring of medical personnel to reinforce the health region throughout the year, the development of infrastructure projects in the metropolitan area which required the hiring of personnel for the execution of public works and the strengthening of the Territorial Control Plan, in addition to actions related to the promotion of Surf City.

In 2022, public administration and defense; mandatory social security activity increased, in real terms, by 3.5%. In nominal terms, the sector increased by 6.8% compared to 2021. These figures highlight the Government's commitment to modernizing the State and improving public safety, into which significant resources were invested. In particular, special programs were created to strengthen the justice system, such as the use of technology as a means of intelligence and investigative purposes. Funds were also allocated for the construction of the new *El Amatillo* Land Customs Office; the implementation of the Electronic Invoice System; the execution of various projects to improve the road network, among others. Public consumption decreased due to the redirection of resources to public investment projects.

In 2023, public administration and defense; compulsory social security activity increased, in real terms, by 3.9%. The sector increased by 7.6% in nominal terms in 2023. The growth of the sector was the result of investments in road infrastructure, as well as improvements to sporting and tourist venues in preparation for international events, such as the Central American Games, the Miss Universe contest and various surfing tournaments. In addition, during 2023, public resources were utilized toward strengthening the national security and police forces and the digital transformation of the education and health systems, principally through the continuation of the Territorial Control Plan, delivery of laptops and provision of internet connectivity for schools.

Transportation and Storage

Transportation and storage activity represented US$1,390.4 million of nominal GDP in 2023 and an average of 4.3% of El Salvador's nominal GDP from 2019 to 2023. In real terms, the activity registered an annual growth rate of 3.4% in the period from 2019 through 2023.

In 2019, transportation and storage activity increased by 4.7%, due to a reduction in fuel prices and a growth in demand for land freight transportation services by the agricultural sector.

By 2020, transportation and storage activity decreased by13.5% due to the decline in demand for services, mainly for passenger travel by air and land.

In 2021, transportation and storage activity represented 4.3% of nominal GDP and increased by 18.9%, in real terms, due to the general recovery of economic activities and the increase in demand for air transport and courier services. Despite the growth of this sector, its performance was adversely affected by the increase in freight costs, fuel prices and logistical problems, particularly land and maritime transport activities and warehouses and storage.

In 2022, transportation and storage activity increased by 5.3% in real terms. In nominal terms, the sector grew by 9.7%. The growth in the sector was due principally to greater mobility of people, particularly by land and air, as a result of the overall increase in economic activities and the promotion of tourism. For example, the number of international travelers who traveled to El Salvador by air during 2023 increased by 32% compared to the prior year. Growth in this sector was also the result of the Government's strategy to stimulate the tourism sector.

In 2023, the transportation and storage sector grew, in real terms, by 1.8%. The growth in the sector in 2023 was due mainly to increases in passenger travel by land and air which, in turn, have resulted from the Government's efforts to position El Salvador as a tourist destination for international events, such as the Central American Games and the Miss Universe contest. Cargo transportation services remained stable during 2023. The sector also benefitted from lower inflation in 2023.

As of December 2018, El Salvador had approximately 3,753.4 kilometers of paved roads (which included primary, secondary and tertiary roads, among others). Two main highways cross the country: the Panamerican Highway that links El Salvador with Guatemala on the west and with Honduras on the East and the Coast Highway that runs to the south of the Panamerican Highway and links Sonsonate with the west and *Zacatecoluca* and *Usulután* on the east and forms part of the Mexico-Central America regional plan to link the Central American countries to Mexico and South America.

El Salvador has two operating seaports: Puerto de Acajutla, a cargo seaport located west of San Salvador, and a second major seaport at La Unión, located east of San Salvador. The *Comisión Ejecutiva Portuaria Autónoma* ("Autonomous Executive Port Commission" or "CEPA") administers these ports and the international airport. The Government has contracted with private companies owned by former port facility employees for loading and unloading services at port facilities.

Infrastructure projects in Puerto de Acajutla include: (i) expansion of the Container Yard, Phase II, to meet growing demand for cargo mobilized in TEU, expanding the installed capacity by 21,000 additional square meters, for a cost of US$5.6 million; (ii) rehabilitation of warehouse No. 1, for which US$2.0 million has been budgeted; and (iii) an expansion plan for the Puerto de Acajutla, through construction of new docks and increased installed capacity. The Puerto de Acajutla project is being financed by the Economic Development Cooperation Fund ("EDCF") of the Republic of Korea.

Financial and Insurance Activity

Between 2019 and 2023, financial and insurance activity, in real terms, registered average annual growth rates of 5.5% and contributed an average of 7.1% of nominal GDP. This sector is one of the main service sectors in the Salvadoran economy.

In 2019, the collection of deposits by commercial banks in the financial system and the granting of loans for consumption and housing, mainly, influenced the 4.1% growth, in real terms, of the financial and insurance sector. This sector contributed 6.5% of nominal

GDP.

Financial and insurance activity increased by 7.3% in 2020, due to the growth of deposits by 11.8% and loans by 1.3% compared to the previous year. This increase was due, in part, to temporary technical regulations which reduced the liquidity of reserves banks which were required to maintain from between 25% and 30% to between 2% and 15% of the total amount of deposits.

For 2021, financial and insurance activity grew 6.8%, mainly due to the 3.4% growth in loans and 7.1% increase in deposits, Demand deposits represented 64% and time deposits 33% of the total deposits.

In 2022, financial and insurance activity grew by 1.6%, in real terms, and by 8.9%, in nominal terms, compared to 2021. The growth of the sector was due principally to increases in loans and deposits. Loans made by banks, cooperatives and credit unions to businesses increased 15.2%; loans to consumers increased 8.6%; and mortgage loans increased 2.5%. The total credit portfolio of the financial sector grew 10.6% in 2022 and financial intermediation services also increased 10.7%. Credit card usage and related fee income also increased during 2022.

In 2023, the financial and insurance sector grew by 7.5%, in real terms, and by 11.7%, in nominal terms, compared to 2022. Fee income increased by 9.9% due mainly to improvements in online banking platforms and resulting greater utilization of financial products, such as credit cards, by clients. The financial sector's loan portfolio grew 3.9% with business, consumer and mortgage loans registering increases. Deposits also increased 5.9% during 2023.

Construction

Construction activity represented US$2,297.5 million of nominal GDP in 2023 and represented on average 6.0% of nominal GDP from 2019 to 2023. Construction activity increased by 5.8% on average, in real terms, during the same period.

In 2019, construction activity increased by 9.3%, mainly due to the increased development in projects commenced during 2018, such as residential and corporate buildings, new highways such as by-passes in the cities of San Miguel and La Libertad, and malls.

In 2020, construction activity decreased by (17.8%), mainly due to COVID-19 disease that stopped almost all economic activity since late March until August. In late May and early June, two tropical storms hit the country and spurred the industry to begin reconstruction activities due to the storms.

In 2021, construction activity grew 6.6% as the economy recovered from the contraction due to the crisis caused by COVID-19 in 2020.

In 2022, construction activity grew 13.1%, in real terms, and 21.8%, in nominal terms, compared to 2021. The growth of the sector was mainly due to the construction and maintenance of public road infrastructure projects; construction of private projects, such as the *Torre Humana*, *Plaza Comercial Pasares* in San Juan Opico, *Altius Tech Park* and the *Mansión Sheehan* resort. Construction activity in 2022 was supported by financing provided by commercial banks. Loans to the construction sector increased 29.1% in 2022.

During 2023, construction activity increased, in real terms, by 17.9% due mainly to continued investments in public and private construction projects, including apartment buildings, commercial properties (e.g., supermarkets) and office buildings (e.g., call centers), among others. The construction sector also benefitted from public works related to the improvement of facilities made in anticipation of the XXIV Central American and Caribbean Games in San Salvador in 2023 and the facilities for the Miss Universe contest, as well as the revitalization of the *Centro Histórico de San Salvador*.

Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles

In nominal terms, wholesale and retail trade, repair of motor vehicles and motorcycles sector had an average contribution of 11.4% to the GDP during the 2019-2023 period.

In 2019, wholesale and retail trade, repair of motor vehicles and motorcycles activity increased an average of 2.5% in real terms, mainly due to an increase in consumer and household demand as well as in local e-commerce.

During 2020, the activity of wholesale and retail trade, repair of motor vehicles and motorcycles decreased 13.4%, due to the measures implemented to respond the effects of the COVID-19 Pandemic, among those that had the greatest impact on the activity were the home quarantine, restriction of transportation services and suspension of activities dedicated to the production and marketing of services considered non-essential, such as textiles, clothing, footwear, home appliances, etc. this measures lasted 4 months approximately. Likewise, the sector decreased its contribution to global GDP in nominal terms, going from an average weight of 11.5% in 2019 to a weight of 10.8% in 2020, due to the decrease registered in the activity of commercial activity.

In 2021, activity in this sector increased by 18.8% in real terms, recovering from the decline recorded the previous year, due to an increase in household consumption spending.

In 2022, the wholesale and retail trade, repair of motor vehicles and motorcycles sector grew, in real terms, by 3.9%. In nominal terms, the sector grew 14.0%. The sector was positively affected by the growth in tourism resulting from international events hosted by El Salvador, as well as increases in the demand for motor vehicle repair services and consumption goods.

In 2023, the wholesale and retail trade, repair of motor vehicles and motorcycles sector grew, in real terms, by 2.5%. In nominal terms, the sector grew 5.7%. The sector was positively affected by increases in household consumption and tourism, including food, beverages, textiles, footwear and automobiles. The growth of the sector was also supported by the establishment of additional supermarkets and stores to adequately supply the increased demand.

Electricity, Gas, Steam and Air Conditioning Supply

The diversification of the electrical generation matrix has been a significant development for the supply of electricity, gas, steam and air conditioning. In real terms between 2019 and 2023, the national electrical sector grew on average 10.9% annually and represented 2.8% of nominal GDP for that period.

The national electricity sector comprises generation, transmission, distribution and marketing of electricity. In 2018, this sector produced US$765 million and, in real terms, the sector registered a decline of 3.6%.

The generation and distribution of electrical energy in 2018 were affected by the commercial, climatic and technical conditions of the national and regional electricity market, including an increase in international oil prices (a main input for thermoelectric generation), a generation period of meteorological drought in the middle of the year which limited the production of hydroelectric plants, and trends towards generation with non-conventional renewable energy sources, self-generation and retail generation.

During 2019, the national electricity sector contributed US$764.0 million to nominal GDP. In real terms, the sector grew by 9.1% driven by regional market conditions, increasing electricity generation destined for export through the signing of long-term contracts, which allow stabilizing prices and obtaining benefits from reductions in production costs from the variation in international oil prices or in the production of electrical energy through low-cost renewable sources.

In 2019, the sector benefitted from investments in non-conventional renewable sources such as photovoltaic solar energy or cogeneration with biomass (initiated in previous years) which improved the diversification of the energy matrix, with renewable energies growing in proportion.

This new composition allowed an increase in the dynamism of the national electricity sector; injections of electricity into the wholesale network have discouraged the importation of supply, and, on the other hand, retail generation and self-generation are trends that are increasingly gaining a greater share in the market and are reflected in the slowed growth of demand in the wholesale market. So, the national demand is basically supplied with renewable wholesale generation, retail generation; which is almost entirely destined for residential consumption; and self-generation, reducing the need to import supply.

The national electricity sector did not stop during 2020, in real terms grew 12.9% annually, favored by the diversification of the electricity generation matrix focused on renewable energy sources, in the wholesale market electricity injections went from 54% of the total supply in 2019 to be 73% in 2020, where the performance of photovoltaic solar electricity generation and the incorporation of wind energy stands out.

The activities of the Salvadoran electricity sector totaled US$595.2 million in 2020, US$168.8 million less than in 2019. This result is due, first, to the reduction in electricity consumption in certain industries, businesses, and services due to the COVID-19 pandemic, as well as continued investments in self-generation and energy saving trends. In 2020, 87.4% of the total electricity supply was provided by national power plants, with hydroelectric dams having the largest participation due to the greater availability of water in the reservoirs resulting from storms such as Amanda in May, hurricanes Iota and Eta in November, and the commercial conditions of the region.

In 2021, the increase in electrical energy generation with non-conventional renewable sources was overshadowed by the decrease in hydroelectric generation due to the relative reduction in rainfall observed throughout the country. As a result, imports of electricity increased in 2021. Overall, the economic reactivation continued and favored the growth of electricity demand and electricity distribution and marketing activities, reaching an added value of US$741.5 million and registering a growth of 3.3% in real terms in 2021.

In 2022, the electricity, gas, steam and air conditioning sector grew in real terms by 14.6% and contributed US$1,003.1 million to GDP in nominal terms. The growth of the sector was due mainly to increases in electricity generation and in the price of electricity. As a result of investments made in the country's matrix of electricity generation capacity, 90.0% of the supply of electricity in the wholesale market is generated by domestic capacity, including hydroelectric, geothermal plants and natural gas plant, which in turn has reduced the country's dependence on electricity imports. The sector was also affected by increases in the price of electric energy which were driven mainly by increases in international prices of petroleum products used to generate electricity.

In 2023, the electricity, gas, steam and air conditioning sector grew in real terms by 14.6%. In nominal terms, the sector contributed US$1,093.7 million to GDP, an increase of US$90.6 million compared to 2022. This growth was mainly due to increases in non-conventional electricity generation activities, such as liquified natural gas, geothermal, solar, wind, biomass and biogas plants, which contributed 64.2 % of the total supply of electricity to the wholesale market. The growth of the sector was also due to increased demand for electricity in the regional market, growth in the number of renewable energy projects and improvements in the sector's electricity transmission and distribution networks. As a result of improvements in the country's electricity generation capacity, electricity prices have been reduced and the country became a net exporter of electric energy in 2023, exporting 7.6% of its electricity generation into the *Mercado Eléctrico Regional*.

Between 2018 and 2022, the installed electricity generation capacity grew by 41.9% from 2,008.6 MW in 2018 to 2,849.5 MW in 2022. During this period, thermal generation decreased from 37.7% of total installed capacity in 2018 to 27.1% of total installed capacity in 2022 and solar generation increased by 140% from 8.8% of total installed capacity in 2018 to 19.9% total installed capacity in 2022. As of December 31, 2022, electricity generation installed capacity by type is as follows: thermal (771.1 MW), hydroelectric (571.9), solar (567.1 MW), natural gas (378 MW), biomass (294.6 MW), geothermal (204.4 MW), wind (54.0 MW) and biogas (8.4 MW).

In the regional market, electricity exports in the first three quarters of 2023 have been four times greater than imports, which is why the country has become a net exporter in said period.

Employment and Wages

The unemployment rate averaged 5.9% during the period 2019-2023. From 2019-2021, the unemployment rate was steady at 6.3%, except in 2020 when it increased to 6.9%. In 2022, the rate decreased to 5.0%. In 2023, the unemployment rate was 5.2%.

According to the ISSS, the COVID-19 pandemic resulted in a loss of 35,877 private sector jobs in 2020 compared to 2019 (pre-pandemic). These job losses were recovered and new jobs were added in 2021. The economic sectors with the greatest job creation during the period 2019-2022 were trade, restaurants and hotels, transport, storage, accommodation activities and food services (27,602 jobs), professional, scientific, technical and administrative support services (27,052 jobs), manufacturing industries, mining and other industrial activities (4,515 jobs), among others. In 2022, employment in the private sector increased by 9.9% compared to 2019, equivalent to 68,947 new workers.

El Salvador's labor law appoints a council composed of representatives from the Government, the private sector and labor organizations to set the daily minimum wage. Minimum wages for each major sector of the economy are set by taking into account the evolution of real wages and overall economic conditions. The legal workday is eight hours, and the legal work week is 44 hours. The law prohibits employment of minors under the age of 14 unless such employment is necessary for family sustenance and does not interfere with schooling.

The following table sets forth daily minimum wages by economic activity in effect for the periods presented.

Daily Minimum Wages by Economic Activity

	Agriculture, Livestock and Fishing(1)	*Maquila*	Manufacturing	Commerce and Services	Construction(2)
			(in US dollars)		
2018	6.67	9.84	10.00	10.00	11.95
2019	6.67	9.84	10.00	10.00	12.31
2020	6.67	9.84	10.00	10.00	12.31
2021	8.00	11.81	12.00	12.00	13.62
2022	8.00	11.81	12.00	12.00	14.03
2023	8.00	11.81	12.00	12.00	14.01

(1) Excluding seasonal workers who are guaranteed a minimum wage at different levels for coffee, sugar and cotton.
(2) Daily minimum wage for auxiliary workers based on an arbitral award between construction firms and construction unions.

Source: *Diario Oficial* (Official Gazette of El Salvador).

In 2001, the Legislative Assembly made several reforms to the Constitution, including one allowing public workers to form unions. in an effort to promote worker's rights and in order to comply with International Labor Organization conventions previously ratified by the Republic the Legislative Assembly ratified in 2009 a constitutional amendment providing public employees with labor union rights and the right to strike under certain circumstances.

Poverty

Economic growth has led to a decrease in the level of poverty in El Salvador. From 2008 to 2023, the number of households living below the poverty line decreased from 40.0% to 27.2%.

In urban areas, the percentage of the population living in relative poverty in 2023 was 19.2%, showing an increase of 1.6 percentage points compared to 2022. In 2023, extreme poverty remained at 7.3%. The percentage of the population living in relative poverty or extreme poverty in urban areas in 2023 was 26.5%.

In rural areas, the percentage of the population living in relative poverty has also improved from 19.6% in 2019 to 17.1% in 2023.

The percentage of the population living in extreme poverty in 2023 was 11.1%. Total poverty in rural areas was 28.3% in 2023, a reduction of 1.3 percentage points compared to 2022.

The following table sets forth the percentage of households in poverty by the degree of poverty and location of the household for the periods presented:

Percentage of Households in Poverty

	Extreme poverty[1]			Relative poverty[2]			Total poverty		
	Urban	**Rural**	**Total**	**Urban**	**Rural**	**Total**	**Urban**	**Rural**	**Total**
2019..................	4.1%	5.2%	4.5%	17.5%	19.6%	18.3%	21.7%	24.8%	22.8%
2020..................	7.0%	11.1%	8.6%	17.8%	17.4%	17.6%	24.8%	28.5%	26.2%
2021..................	6.3%	10.4%	7.8%	16.9%	16.6%	16.8%	23.2%	27.0%	24.6%
2022..................	7.3%	10.8%	8.6%	17.6%	18.8%	18.1%	24.9%	29.6%	26.6%
2023..................	7.3%	11.1%	8.8%	19.2%	17.1%	18.4%	26.5%	28.3%	27.2%

(1) Households with per capita income below the per capita cost of the *Canasta Básica Alimentaria* ("CBA").
(2) Households with per capita income below two times the cost of the CBA.

Source: *Multi-purpose Household Survey, EHPM, National Statistics and Census Office (ONEC).*

Since 2015, El Salvador has introduced a multidimensional poverty measurement which recognizes that welfare conditions are related to different areas that are not captured exclusively by income. This measurement aims to better understand the deprivations that certain households face simultaneously in areas such as education, housing quality and living conditions in general.

The multidimensional poverty rate refers to the percentage of households with seven or more deprivations out of a total of 20 indicators across five dimensions: education, housing conditions, work and social security, health, basic services and food security, and quality of habitat.

In 2020, 27.2% of households nationally presented indicators of multidimensional poverty, a reduction of 0.9 percentage points compared to the previous year. Despite the economic crisis caused by the COVID-19 pandemic, the reduction in poverty levels is the effect of measures implemented by the Government of El Salvador that allowed multidimensional poverty to be reduced. These measures included the suspension of tariffs on 20 products of the basic food basket, such as rice, corn, beans, flour, oils and fats, some fruits, vegetables, dairy products, among others. The Government also established a price cap on fuels to favor the purchasing power of households. In terms of security, in 2019 the Territorial Control Plan and an Exception Regime was established to guarantee the security and well-being of neighborhoods and areas under gang control.

In 2022, the multidimensional poverty indicators showed that unemployment was reduced considerably, by 13.2%, compared to 2020. Food insecurity was also reduced 5.7 percentage points between 2020 and 2022. Restrictions due to insecurity showed a reduction of 5.3 percentage points. Low adult education and school non-attendance were reduced 2.6 percentage points and 1.2 percentage points, respectively.

Social Security

El Salvador's Constitution guarantees social security benefits to workers and their families. Social security benefits provide assistance in case of accident, illness, maternity, disability, retirement or death. Participation in the social security system for coverage for accidents, illness, maternity and disability is mandatory for all workers, except for teachers in the public sector and self-employed individuals. The Salvadoran Social Security Institute ("SSSI") administers these benefits for contributing employees.

Retirement and death benefits for public and private sector workers who remained in the public pension system after the pension reform of 1998 are provided by the *Instituto Nacional de Pensiones de los Empleados Públicos* (the "National Public Pension Institute") and the SSSI through a separate state-run system. The Government provides medical services to the population not covered by the SSSI or the National Public Pension Institute through a network of 30 hospitals and 753 health facilities across the country.

The social security system is financed by a combination of contributions from workers and employers. Since January 1, 2003, all employees, except for teachers in the public sector and self-employed individuals, contribute 3.0% of their salary and employers contribute 7.5% of their total payroll for accident, illness, maternity and disability benefits. Teachers in the public sector contribute the same percentage to the *Instituto Salvadoreño de Bienestar Magisterial* (the "National Education Professionals Social Security"), created in 2007, for the same benefits provided by the SSSI. As of January 2017, for retirement and death benefits, private sector employees contribute 6.25% of their salary and employers contribute 6.75% of their total payroll to the Pension Savings System. The recent reform to the pension system which went into effect in October 2017, increased the contribution rates by 2.0% to 7.25% by the employee and 7.75% by the employer. The recent reform to the pension system went into effect in December of 2022 and increased the contribution rates by one percentage point to 8.75% to be paid by the employer, keeping the rate for the employee.

The following table sets forth the number and distribution of workers in the private sector by economic activity and as a percentage of the labor force in the private sector contributing to the Salvadoran Social Security Institute for the periods presented. No comparable information is available for workers in the informal sector of the economy.

Economic Activity	Contributing Workers in the Private Sector As of December 31,							
	2019		2020		2021		2022	
	Number	%	Number	%	Number	%	Number	%
Agriculture, hunting, forestry and fishing	13,617	1.9	13,356	2.0	13,600	1.9	14,256	1.8
Manufacturing industries, mining and other industrial activities	189,575	27.0	182,313	27.4	194,361	26.8	194,090	25.2
Construction	27,660	3.9	23,831	3.6	23,103	3.2	30,031	3.9
Trade, restaurants and hotels, transport, storage,	209,308	29.8	195,982	29.4	220,514	30.4	236,910	30.7
Information and communications	18,060	2.6	18,922	2.8	18,606	2.6	19,477	2.5
Finance and insurance	32,575	4.6	30,309	4.6	30,956	4.3	32,687	4.2
Real estate	6,880	1.0	6,379	1.0	7,118	1.0	7,656	1.0
Professional, scientific, technical and administrative support services	129,608	18.5	125,492	18.9	144,786	19.9	156,660	20.3
Services	69,524	9.9	64,301	9.7	67,396	9.3	71,566	9.3
Domestic services	1,946	0.3	1,780	0.3	1,861	0.3	1,888	0.2
Salvadorans abroad (SALEX)	65	0.0	63	0.0	73	0.0	91	0.0
Independent workers	2562	0.4	2775	0.4	3,931	0.5	5,654	0.7
Private Sector	701,380	100.0	665,503	100.0	726,305	100.0	770,966	100.0

Source: *Salvadoran Social Security Institute*

Note: For the year 2023, SSSI contribution statistics are only available for the period between January and May due to the SSSI updating its Information system.

An aggregate amount of US$2,264.4 million was invested in social programs during the period 2018-2023.The investment focused on different sectors including health, education and agriculture. According to preliminary figures, US$180.9 million, US$383.5 million and US$227.0 million were invested in social programs, with an emphasis on educational programs in 2021, 2022 and 2023 respectively. Of the total 2023 investment, US$61.8 million was invested in school supplies and US$19.1 million was invested in food for school children.

Pension Reform

On December 20, 1996, the Legislative Assembly enacted the Pension Savings System Law, creating a private pension system for eligible workers (including both public sector employees and private sector employees) in El Salvador modeled after the then existing Chilean system. The *Superintendencia de Pensiones* (the "Superintendency of Pensions") was responsible for overseeing both the public pension system and the private pension system. Pension system administrators (*Administradoras de fondos de pension* or "AFP") were authorized to operate pursuant to the pension system law of April 15, 1998. As of December 31, 2022, 3.69 million workers were affiliated with this private pension system, 22.75% of whom are active contributors.

When employees who have transferred to the private pension system retire, the government issues *Certificados de Traspaso* ("CTs") to the relevant private pension fund in order to credit the employees for their previous contributions to the public pension system. Beginning in January 2002, as a result of the reform to the Pension System Law, CTs are payable over a 15-year period starting on the date of the employee's retirement. CTs were paid out in one lump sum. In addition, since July 2003, persons who have the option of remaining on the previous public pension system or switching to the new private pension system are eligible to receive a CT that would compensate them for any difference between the value of the monthly pension they would have received had they stayed in the previous public pension system and the value of the monthly pension if they had switched to the new private pension system. CTs are included in the pension costs of the Republic.

In October 2006, the Government began issuing Pension Investment Certificates ("CIPs") to pension funds to finance the cost of its pension obligations to retired public employees and to holders of outstanding CTs and *Certificados de Traspaso Complementarios* ("CTCs"). CIPs amortize over a 25-year period and carry an interest rate calculated and updated every two years by the Central Bank in accordance with Legislative Decree No. 287 of 2016. The Government has reduced the burden of its pension liability due to the longer maturity and progressive amortization profile of CIPs compared with CTs and CTCs. CIPs are issued as Series A to pay pensions in the public pension system and as Series B to substitute CTs and CTCs.

According to the results from an actuarial valuation of the pension system performed between 2014 and 2015 with data as of December 31, 2013, the public pensions system is facing a significant financial imbalance where the current social assistance deficit is US$24,077.8 million. Of the total deficit, 58.4% or US$14,068.3 million, is attributable to the SAP, the payment of CTCs, the second phase of the Legislative Decree No. 100 of 2006 and minimum mandatory pension payments. The remaining 42.6%, or US$10,009.5 million, is attributable to the *Unidad de Pensiones* of the *Instituto Salvadoreño del Seguro Social* ("UPISSS") and the *Instituto Nacional de Pensiones de los Empleados Públicos* ("INPEP") jointly known as the *Sistema Público de Pensiones* ("SPP").

The Government estimates that the difference between contributions to the public system benefits to retirees under the SPP plus partial benefits payable to retirees who switched to the private pension system for the time they were covered by the SPP was 1.9% of GDP in 2015. As of December 31, 2019, the accumulated deficit of the pension system was US$5,264.8 million, made up entirely of Series A CIPs.

Projections indicate that the obligations due from the current pensions system will continue to increase because the obligation of the Government to provide benefits will increase significantly during the next few years. According to the actuarial valuation from 2013, the nominal amount of such benefits rose for the 2017-2020 period to US$3,528.7 million.

On September 28, 2017, the Pension Savings System Law, the Pension Obligations Trust Law and the Substitution of Pension Plan Investment Certificates Law were approved. These laws are aimed at reducing the pension deficit and the actuarial pension deficit, implementing a cap on pensions, guaranteeing a minimum pension income, increasing budgetary appropriation for pensions, reducing the issuance of CIPs and increasing the long-term profitability of pension plan investments. These laws also created the *Cuenta de Garantía Solidaria* ("CGS") which receives 33% of the monthly pension plan contributions.

Additionally, the 2017 reforms created a financial mechanism for the payment of benefits to SAP participants. Furthermore, the 2017 reforms created a guarantee of coverage of existing minimum income pensions as well as of the CGS system. This coverage is aimed at stabilizing the pensions of SAP participants and to account for increased life expectancy. The CGS system will be financed by current and future participants. With these reforms, aggregate contributions were increased by 2%, increasing to 15% from 13%. The mandatory contributions are credited to the *Cuenta Individual de Ahorro para Pensiones* ("CIAP"), at 8.05% starting in 2019 and increasing gradually to 11.1% in 2050; the CGS at 5% in 2019 and gradually decreasing to 2% in 2050; and contributions to the private pension companies (the "*Administradoras de Fondos de Pensiones*" or "AFPs") starting at 1.95% in 2019 and decreasing to 1.90% in 2020.

Legislative Decree No. 739 (published in the *Diario Oficial* on October 13, 2020) reformed the Pension Savings System Law, allowing all non-retired Salvadorans living abroad as well as those experiencing terminal illness, to request a refund of the amount saved.

Legislative Decree No. 765 (published in the *Diario Oficial* on November 24, 2020) reformed the Pension Savings System Law, accelerating the refund process upon the death of the beneficiary. Additionally, it allows employees to designate non-family beneficiaries.

Legislative Decree No. 766 (published in the *Diario Oficial* on November 24, 2020) reformed the Pension Savings System Law, allowing all non-retired Salvadorans that meet retirement criteria and who have requested up to 25% of their savings as a loan from their pensions, to retire without paying such loan. In order for the person to retire and have the pension calculated without the loan, the person must show evidence of unemployment or a terminal illness. A constitutional challenged has been filed with respect to the constitutionality of Legislative Decrees Nos. 765 and 766. As of the date of this Offering Circular, the Constitutional Chamber of the Supreme Court has not admitted or rejected the challenge.

The pension reform that came into effect in December of 2022 was developed through the implementation of three new legal bodies: (i) Comprehensive Law of the Pension System, approved by Legislative Decree No. 614, dated December 20, 2022, which repealed the previous Pension Savings System Law from 1996 ; (ii) the Law of Creation of the Salvadoran Pension Institute ("ISP"), approved by Legislative Decree No. 615, dated December 20, 2022; and (iii) the Special Law for the Issuance of Certificates of Pension Obligations and Dissolution of the Pension Obligations Trust, approved by Legislative Decree No. 616, dated December 20, 2022.

The system's contribution rate was increased by one percentage point, from 15% to 16%. The cost of this increase was assumed by the employer, with the employer's contribution reaching 8.75%, and the worker's contribution remaining at 7.25%. The distribution of said contribution was determined as follows: 9% for the individual account, 6% to the CGS, the remaining 1% to the AFP commission. Through the new distribution of contributions, the commission for the administration of pension funds for the AFPs was set at 1% and the contribution for disability insurance was eliminated. The Pension Fund defines obligations for the granting of disability benefits. The contributory salary ceiling was eliminated and a limit on the maximum pension of US$3,000.00 was established for all present and future pensioners. A policy was established to ensure that retirees who continue to work will continue to contribute to the system. However, they will be entitled to reimbursement of these contributions in the month of their anniversary. A special contribution of 7% on the pension was established for pensioners with a pension greater than 6 times the minimum pension. A general increase of 30% was established for all old-age pensions for pensioners under both the public and private pension systems. The policy permitting the early withdrawal of up to 25% of the savings of contributors with more than ten years of contributions was repealed.

Through Legislative Decree No. 615 the Salvadoran Pension Institute (ISP) was created to assume the functions of the National

Pensions Institute for Public Employees (*Instituto Nacional de Pensiones de los Empleados Publicos*, "INPEP"). It also assumed responsibilities for the administration and issuance of pension debt.

Through Legislative Decree No. 616, the Special Law for the Issuance of Certificates of Pension Obligations and Dissolution of the Pension Obligations Trust created a new financing mechanism for the payment of pensions of the public system and the creation of Certificates of Pension Obligations ("COP") to replace the CIPs issuances. The existing CIP A and CIP B certificates were replaced by "*Certificados de Financiamiento de Transición*" ("CFT").

Infrastructure Investments

International Airport

The *Comisión Ejecutiva Portuaria Autónoma* ("CEPA") began the modernization project for the International Airport of El Salvador, *San Oscar Arnulfo Romero y Galdámez* (AIES SOARG), in 2013, which is expected to be completed in 2032 at an estimated cost of US$492 million. Funding for this project comes from the operating revenue of the airport.

The project was designed to proceed in a modular format (beginning with two transitional projects, followed by four phases) in order to avoid interruptions to airport operations, and the airport continues to operate normally. The first such transitional project was an increase in parking capacity for aircraft, which will expand the current capacity from a maximum of 18 to 22 aircraft. This project began in November 2014 and was completed in December 2016 at an estimated cost of US$6.5 million, increasing the passenger handling capacity to 2.1 million from 1.6 million a year. The second transitional project was the construction of four new passenger lounges, to a total of 20 lounges which commenced in September 2014 and was completed in March 2015, at a cost of US$6.6 million. In May of 2018, an additional project, the construction of automobile parking garages was completed, increasing parking availability from 700 to 1,500 places. Total investment for the increase in passenger vehicle garage space was US$6.5 million.

Following the transitional project, the first phase consists of passenger capacity expansion. The second phase contemplates a transfer of the Avianca hub and an increase in flight and passenger volume at the airport, with a westward extension of the terminal. The third phase, scheduled through 2027, includes an eastward extension of the terminal and additional runways, with a doubling of the building space. The fourth phase is scheduled to conclude in 2032, with an increase in aircraft parking of up to 43 aircrafts. As of March 2020, total disbursements for the modernization project totaled US$121.0 million. Currently, US$57.1 million has been spent on the first phase, of which US$45.3 million corresponds to infrastructure expansion that will increase the airport's passenger handling capacity to 3.5 million passengers each year.

In February 2022, the expansion of the passenger terminal was inaugurated as part of stage one of the master plan. In 2023, the following expansion and remodeling work was executed:

- Expansion of the passenger terminal building, which includes five airport lounges;
- Procurement and installation of new air conditioning systems;
- Procurement and installation of jet bridges in the passenger terminal;
- Construction of electric substations for the passenger terminal;
- Expansion of commercial areas and construction of administrative offices;
- Construction of potable water supply lines; and
- Installation of fire protection and electronic security systems in the passenger terminal.

In 2020, 19 airlines operated out of the airport and served a total of 1,082,810 passengers. In 2021, 18 airlines served 2,517,000 passengers. Twenty airlines served 3,442,739 passengers in 2022, and 23 airlines served a total of 4,554,185 passengers in 2023. This represents an increase in passengers of 67% on average over the past three years. The number of operating airlines includes commercial and cargo airlines.

In September 2019, CEPA initiated the PPP bidding process for the expansion project of the cargo terminal of the international airport. The project is divided in two stages: Stage one aims to modernize the current cargo terminal with an approximate initial investment of US$13.3 million. Stage two aims to increase cargo tonnage by 73,000 tons per year by constructing a new cargo terminal at an estimated investment of US$48.7 million. The project proposals were submitted and are being evaluated by the technical commission. On October 8, 2020, *ALUTECH S.A. de C.V.* was announced as the winning bidder and, on August 17, 2021, the National Assembly approved the decree ordering the execution of the project. On March 9, 2022, *ALUTECH S.A. de C.V.*, acting through a special purpose vehicle, assumed control over the operation of the cargo terminal.

Puerto de Acajutla

El Salvador has two operating seaports: *Puerto de Acajutla*, a cargo seaport located west of San Salvador, and a second major seaport at *La Unión*, located east of San Salvador. The *Comisión Ejecutiva Portuaria Autónoma* ("Autonomous Executive Port Commission" or "CEPA") administers these ports and the international airport. The Government has contracted with private companies owned by former port facility employees for loading and unloading services at port facilities.

Infrastructure projects in *Puerto de Acajutla* include: (i) modernization of the cargo reception and dispatch infrastructure for Access Zone 1 and *Bulevar Oscar Osorio*, which was completed in December 2020 at a cost of $2.9 million; (ii) expansion of the Container Yard, Phase II, to meet growing demand for cargo and expanding the installed capacity by 21,000 additional square meters, which was completed in December 2023 at a cost of US$5.5 million; (iii) construction and equipment for a new warehouse, which is expected to be completed in June 2024 at an estimated cost of US$7.2 million; and (iv) rehabilitation of the docking front and south side (sea side) of pier "A", which is expected to be completed in December 2024 at an estimated cost of US$2.6 million. The *Puerto de Acajutla* project is being financed by the Economic Development Cooperation Fund ("EDCF") of the Republic of Korea.

Bridges and Roads

The following infrastructure projects were completed and became operational between 2017 and 2018:

- the bridge over the Anguiatú River, near the Anguiatú land border with a total investment of US$3.5 million;
- the *El Progreso Bridge* over the Lempa River with a total investment of US$8.1 million;
- construction and maintenance of the *Poliedro - Sonsonate* Highway with a total investment of US$35.9 million; and
- construction of the International Airport - *Zacatecoluca* section of the *Litoral* highway for a total of US$71.2 million.

In 2017 and 2018, a total of US$76.2 million was invested in rural and tertiary roads. In 2018, the *Troncal del Norte* section highway and the *Amayo* detour were completed. In addition, the construction of a bypass in the city of San Miguel commenced in 2018. The project is expected to benefit approximately 245,000 people, require a total investment of US$159.4 million and have a total length of 20.5 kms.

In 2019, US$130.2 million was invested in roads and bridges, distributed across the following projects: (i) expansion of the CA04S highway, including the section II between kilometer 22.36 (exit south of Zaragoza) and kilometer 31.86 for a cost of US$77.1 million and the section III, bypass between kilometer 31.86 and kilometer 35 in the Department of La Libertad for a cost of US$27.4 million; (ii) construction of a bypass in the city of San Miguel for a cost of US$16.8 million and (iii) construction of bridges and rural paths for US$8.9 million.

In addition, the following bridge and road projects have been undertaken to connect various urban areas to their surrounding municipalities:

- the bridge over the *Río Ceniza* in the Department of Sonsonate, which was completed in November 2021 at a cost of US$1.6 million;
- the *Puente Apancoyito* in the Cuisnahuat municipality in the Department of Sonsonate, which was completed in March 2023 at a cost of US$1.3 million; and
- the *Puente General Manuel José Arce* in the San Francisco de Menéndez municipality in the Department of Ahuachapán, which is expected to be completed in April 2025 at an estimated cost of approximately US$6.6 million.

In April 2021, the Government completed the expansion of the section III of the CA04S highway and construction of the *La Libertad* Bypass in the Department of La Libertad. The total investment in this project, which serves 108,338 of the population, was US$123.1 million.

In January 2023, the Government commenced the construction of the *Punta Chiquirín* artisan dock in the municipality of Conchagua in the Department of La Unión. The project is expected to be completed in 2024 at a cost of US$6.9 million.

Power Generation

In 2009, the Government commenced work on the *Central Hidroeléctrica 3 de Febrero*, also known as *El Chaparral*, a hydroelectric plant with two main generating units with a total installed capacity of 66 MW and an additional 1.43 MW unit, which could increase the annual energy supply by 232 GWh. The project was completed in September 2023 and, on October 19, 2023, President Bukele inaugurated the plant. In the last quarter of 2023, *El Chaparral* generated 65,824 GWh of electricity, which represents an increase of 3.8% in renewable hydraulic energy that it injected into the country's national grid. The plant provides electricity to 219,413 families.

On December 23, 2019, *Energía del Pacífico, Ltda. de C.V.* ("EDP"), announced completion of project financing for an LNG-to-power project at the Port of Acajutla, El Salvador (the "Acajutla Plant"). The Acajutla Plant was funded with approximately US$1 billion in foreign direct investment, including US$350 million provided by the International Development Finance Corporation ("DFC"), formerly OPIC, making it the largest private investment ever in the Republic. Wärtsilä Oyj Abp, a Finnish energy company, signed a 15-year operation and maintenance agreement with EDP for the Acajutla Plant, which will run on 19 Wärtsilä Oyj Abp 50SG turbines. The Acajutla Plant began operating in May 2022 with an installed capacity of 378 MW and benefits from an approximately 44 km electric transmission line connecting it to the Central American Electrical Interconnection System, strengthening the country's electric grid by supplying approximately 30% of El Salvador's energy.

The Government has undertaken the development of two solar electricity projects. The first is a 13.2 MW solar plant, known as *Talnique Solar*, which commenced operation in 2023. The second solar project is a solar plant located at the *Central Hidroeléctrica 15 de Septiembre*, with an installed capacity of 19.2 MW. This project is expected to be completed in 2024.

Social and Economic Infrastructure

In 2018, total public investment in the non-financial public sector increased to US$821.1 million or 3.2% of GDP. Investments in economic development were made in an amount of US$390.4 million, with most of those resources (US$208.4 million) destined to transportation and storage activity. Investment in social development increased to US$384.2 million, with urban and community development receiving US$210.8 million. Additionally, US$46.5 million were allocated to security and justice activity.

In 2019, total public investment in the non-financial public sector decreased to US$798.3 million or 3.0% of GDP. Investments in economic development were made in an amount of US$438.6 million, with most of those resources (US$322.2 million) destined to transportation and storage activity. Investment in social development decreased to US$323.0 million, with urban and community development receiving US$205.8 million. Additionally, US$36.7 million were allocated to security and justice activity.

In 2020, total public investment in the non-financial public sector decreased to US$636.8 million, representing 2.6% of GDP. Investments in economic development were made in the amount of US$344.7 million dollars, with the majority of these resources (US$241.4 million dollars) allocated to transportation and storage activities. Investment in social development decreased to US$262.1 million, with urban and community development receiving US$88.6 million. Additionally, US$30.0 million was allocated to activities that promote security and justice.

In 2021, total public investment in the non-financial public sector increased to US$914.6 million, representing 3.1% of GDP. Investments in economic development were made in the amount of US$404.5 million, with the majority of these resources (US$266.5 million) allocated to transportation and storage activities. Investment in social development increased to US$491.9 million, and in education and culture, urban and community development received US$289.4 million. In addition, US$18.2 million was allocated to activities that promote security and justice.

In 2022, total public investment in the non-financial public sector decreased to US$691.2 million representing 2.1% of GDP. Investments were made in economic development for an amount of US$207.9 million, with the majority of these resources (US$106.8 million) allocated to energy, transportation and storage activities. Investment in social development decreased to US$468.1 million dollars, and education and culture, urban and community development received US$139.1 million. In addition, US$15.2 million were allocated to activities that promote security and justice.

In 2023, total public investment in the non-financial public sector increased to US$1,319.7 million, or 3.9% of GDP, US$628.5 million higher than in the same period in 2022, mainly due to investments in social infrastructure, improvements to sports facilities, roadworks, improvements to school infrastructure and investments in human capital. Investments in economic development were made in an amount of US$607.7 million, with most of those resources (US$574.5 million) destined to the energy and storage and transportation sectors. Investment in social development amounted to US$688.3 million, with urban and community development projects receiving US$264.8 million.

Development of the Tourism Sector

The Government believes that tourism represents a potential area of growth for the Salvadoran economy and prior to COVID-19 had implemented measures designed to foster the development of the tourism sector. On December 15, 2005, the Legislative Assembly enacted a Tourism Law, which sets forth a framework for the development of the tourism sector. The tourism law imposes a special contribution levy of US$7.00 for each person leaving the country through the international airport and a special tax of 5.0% on lodging. In 2022, revenues from the tourism tax totaled US$14.3 million.

The Tourism Law also provides economic incentives for companies that engage in certain tourism sectors. The *Registro Nacional de Turismo* (National Tourism Registry), a branch of the *Corporación Salvadoreña de Turismo* (Salvadoran Tourism Corporation), facilitates access to the incentives and benefits available to businesses pursuant to the Tourism Law.

The Government estimates that El Salvador lost approximately US$1.1 billion in foreign currency revenues due to the drop in tourism during the COVID-19 pandemic.

Surf City Tourism Project

Surf City is a key strategy that the Government is implementing to develop public spaces within tourist destinations on the coast and other national territory. Surf City strategy has three components: (i) tourism infrastructure; (ii) productivity; and (iii) the promotion of social cohesion. It is expected to develop in five phases, covering the following geographical areas:

- Phase I: from the beaches of *La Libertad* to *Playa El Zonte*;
- Phase II: beaches on the east;
- Phase III: *La Libertad* to Sonsonate

- Phase IV: beaches of the west; and
- Phase V: La Libertad – La Paz.

The populations that are expected to benefit from the development of Surf City are: (i) approximately 800 thousand Salvadoran residents who reside in *La Libertad* (Phase I) and (ii) approximately 1.2 million Salvadoran residents who reside in San Miguel, Morazán, Usulután, and *La Unión* (Phase II).

In 2023, there were 64 ongoing projects in the geographical area corresponding to Surf City, Phase I and Phase II. The projects include 30 projects for infrastructure development and 34 projects focused on improving the social cohesion of the Republic. In 2023, 18% of tourist companies in the country were located in this area.

The following describes key projects under development in Surf City:

- Road to Surf City - Phase I was completed in 2022 at a cost of US$37.0 million;
- Road to Surf City - Phase II is expected to be completed in 2024 at a cost of US$41.0 million;
- Construction and equipment of surveillance towers on Surf City beaches at a cost of US$1.0 million; and
- Improvement of the tourist complex at the Port of *La Libertad* was completed in 2022 at a cost of US$2.0 million.

Other Projects

The Government has undertaken other projects in the tourism sector, such as:

- Walter Thilo Deininger Park, which was completed in 2021 at a cost of US$2.6 million;
- Wastewater treatment plants at *El Tunco*, *La Libertad* and Jiquilisco Bay, *Puerto El Triunfo*, which were completed in 2022 at a cost of US$5.0 million; and
- Several projects for the recovery and expansion of the tourism sector at a total cost of US$106.0 million, including:
    - improved national tourist signage;
    - technological innovations in parks maintained by the Salvadoran Institute of Tourism;
    - improvements to tourist corridors, viewpoints, lifeguard towers;
    - enhancements to tourist security; and
    - construction and improvements to bathrooms and sanitary services at tourist attractions.

The investments made by the Government in the tourism sector contributed to El Salvador welcoming 3.4 million visitors in 2023, 73% of which were tourists. This reflects a 33% growth compared to 2022 and 29% growth compared to 2019. These activities accounted for US$3.8 billion in foreign currency inflows in 2023, representing growth of 115% compared to 2019. In 2023, the tourism sector represented 11% of nominal GDP.

Major Tourist Events

Below is summary of the key tourism events hosted in El Salvador and their contributions to the overall tourism sector for the periods indicated.

- During the period 2019-2023, El Salvador received more than 19,000 international visitors who attended a number of surf tournaments, which resulted in an inflow of US$22.0 million.
- In 2023, El Salvador hosted the 72nd Miss Universe contest, which brought a total of approximately 65,000 international visitors and an inflow of US$177.0 million.
- The XXIV Central American and Caribbean Games were held in San Salvador in 2023, as a result of which El Salvador received approximately 12,000 international visitors and an inflow of US$16.0 million.
- Other international events that have taken place in El Salvador include the AirShow Ilopango, II Edición Boards and Arts El Salvador, Concentración Toyota, Nuit Blanche, Agility-PreAmericas & El Caribe, and VIII Ibero-American Meeting of Rural Tourism.

Education Initiatives

The Government has invested US$65.5 million in the school packages program, which distributes school supplies, shoes and uniforms benefitting 1,119,531 students from kindergarten to middle school at 5,146 education centers, generating approximately 32,510 jobs. The Government's online contracting process for this program's goods and services works with 2,775 local suppliers to distribute supplies to students.

In 2019, the Government invested US$21.7 million in the School Food and Health Program ("PASE"), which has benefitted

1,077,169 students from kindergarten to high school from 5,386 education centers nationwide (including 5,107 MINEUCYT schools, 238 initial care centers of the Salvadoran Institute for the Comprehensive Development of Children and Adolescents ("ISNA") and 41 rural Ministry of Health ("MINSAL") nutrition centers). Within PASE, the Government has invested: (i) US$7.5 million in the Glass of Milk program, which has provided domestically produced pasteurized milk to 874,875 students in 3,193 education centers nationwide; (ii) US$1.9 million in the Strengthening the Educational Community program, which maintains 1,986 school gardens in 1,955 education centers, benefitting 549,329 students; (iii) US$0.7 million in developing a local purchasing project to strengthen school snacks, benefitting 137,000 students; (iv) US$0.5 million in the School Lunch program implemented within the EITP program which benefits students in 165 education centers in different areas of the country; and (v) in the One Girl, One Boy, One Computer program, through which 44,771 computers were delivered to benefit 2,010 education centers, 448,780 students and 18,850 teachers; furniture, including 1,000 cabinets for loading and safeguarding technological resources, was also delivered to those education centers. In response to the COVID-19 pandemic, the Ministry of Education initiated a program aimed at providing free home schooling via online programs.

The Government has partnered with the World Bank to launch a program with US$250 million in funding called "Integral Development of Early Childhood in El Salvador". The Integral Development of Early Childhood in El Salvador ("IADBES") program aims to improve pedagogical practices in early childhood education across the country and strengthen the institutional capacity of the education sector. The Government has also partnered with the IADBES to launch a program with US$100 million in funding called "Improvement of Education Quality and Coverage: Be Born, Grow Up, Learn." The Improvement of Education Quality and Coverage program aims to improve the quality and availability of early childhood education, with a focus on vulnerable populations.

During the second half of 2022, the Government invested approximately US$11.0 million in nutritional programs for students. In the first half of 2023, the investment in nutritional programs was US$6.9 million. These investments have benefited over one million students.

Government Programs

The Government has undertaken a number of programs nationwide to improve the country's educational infrastructure. These programs are intended to improve and repair school infrastructure and are expected to benefit 390,794 students and 15,893 teachers. The work undertaken as part of these programs includes: (i) improvement of school buildings and facilities; (ii) risk reduction in identified educational centers; (iii) construction of new educational centers (see e.g., description of "My New School" program below); and (iv) improvement of the administrative support infrastructure for teaching and learning activities. The total amounts which the Government has invested in these nationwide programs are US$8.9 million in 2020, US$11.4 million in 2021, US$25.4 million in 2022 and US$23.7 million in the first three quarters of 2023.

One of the programs undertaken by the Government is called "Grow and Learn Together Program". This program is intended to support the development and implementation of a comprehensive national policy to advance early childhood development, including development of national quality standards for schools, review and adaptation of the national education curriculum, strengthening the professional development of teachers and administrators of schools, improvement to physical learning environments, improvements in the management of the educational sector and improvements to the Government's capacity to respond to emergencies of natural origin, such as natural disasters or health emergencies (e.g., epidemics and pandemics).

The Government has also undertaken a program called "Born, Grow, Learn". The objective of this program is to improve the quality and coverage of the education system in El Salvador, principally through the improvement of pedagogical material, construction and rehabilitation of nursery classrooms, expansion of educational opportunities for vulnerable populations through flexible modalities, implementation of a life skills module, updating training processes and monitoring of performance for teachers and digital transformation. This program operates on a national level.

The Government's "My New School" program is designed to strengthen education in El Salvador through the improvement of school infrastructure located in departments with a high rate of poverty. The program contemplates the construction or rehabilitation of school infrastructure and the provision of equipment in schools, modernization of school management and administration through the implementation of an evidence-based model to inform educational infrastructure investment decisions in the country. The amount invested in this program is US$8.9 million. This program operates on a national level.

FOREIGN TRADE AND BALANCE OF PAYMENTS

General

Merchandise exports grew at an average annual rate of 2.0% in the period 2018-2023. During that period, imports increased by 6.8%, driven mainly by increases in imports of intermediate and consumer goods.

For the period 2018-2022, the deficit in the balance of goods account presented an average annual growth rate of 14.6%. Exports of goods reached a growth of 4.2% and imports grew by 10.0%. This period was highly influenced by the effects of the health crisis caused by COVID-19, which began in 2020.

The current account deficit of the balance of payments increased from 3.3% of nominal GDP in 2018 to 6.6% of nominal GDP in 2022. During the period, the deficits in the goods and primary income accounts increased and the surpluses in the services and secondary income accounts also increased.

Tariffs and Other Trade Restrictions

Until the late 1980s, El Salvador used tariff barriers to protect its domestic industry against foreign competition. Import duties ranged from zero to 290.0%, with up to 25 different rates, and exports were largely controlled by the Government.

Since 1989, the Republic has significantly liberalized its foreign trade policy. The tariff structure has been simplified and for 99.5% of goods fully integrated with the tariff structures of the Central American countries. Import licenses have been eliminated for most goods and export license requirements have been replaced by reporting requirements primarily designed to ensure collection of data relating to foreign trade. The national coffee and sugar boards were dissolved in the early 1990s, eliminating Government involvement in trade in these commodities.

Regional Integration and Free Trade

El Salvador has benefited from regional trade initiatives that have opened up the markets of Central American nations to other nations in the region. Regional integration has been especially beneficial for manufacturing. Increased access to international markets and liberalization of trade barriers are components of El Salvador's plan to increase international competitiveness, improve export revenues and encourage foreign investment. Before 2004, El Salvador had trade agreements in place with Chile, Panama, and the Dominican Republic. Since 2004, El Salvador has intensified its efforts to strengthen its trade arrangements with its primary trading partners including:

- participating in free trade agreements with various Latin American countries;
- entering into a free trade agreement with Colombia that became effective in February 2010;
- entering into a free trade agreement with Mexico that became effective in September 2012;
- entering into a partial scope trade agreement with Cuba that became effective in July 2012;
- entering into an association agreement with the European Union that became effective in October 2013;
- entering into a partial scope agreement with Ecuador that entered into force in November 2017; and
- entering into a free trade agreement with South Korea that entered into force in January 2020.

On December 13, 2018, El Salvador delivered a termination notice to Taiwan with respect to the bilateral free trade agreement which had entered into force in March of 2008. The termination notice was delivered due to the severance of diplomatic ties between El Salvador and Taiwan. A group of citizens challenged the constitutionality of the termination notice. On April 7, 2019, the Constitutional Chamber of the Supreme Court dismissed the suit. Nevertheless, the *Asociación Azucarera de El Salvador* filed a suit challenging the constitutionality of the executive decision to terminate the free trade agreement with Taiwan. Subsequently, the Constitutional Chamber of the Supreme Court of Justice ruled that all trade agreements between Taiwan had concluded after the country reestablished relations with the People's Republic of China.

In November 2020, a memorandum of understanding between the Republic and the Korean Importers Association ("KOIMA") allowed Salvadoran companies to identify potential Korean importers interested in Salvadoran products in an effort to expand business opportunities in the Korean market.

In April 2021, the UK-Central America Association Agreement ("AACRU") was announced. An action plan for its implementation and use followed. This agreement aims to increase market access for local companies, allowing them to better promote their products in the United Kingdom.

The Ministry of Economy works to implement action plans that respond to ongoing trade agreements. These actions support the identification of commercial opportunities, strengthening the capabilities of companies to meet the requirements for access to destination markets and commercial promotion.

Trade Initiatives Involving Central and Latin America

The opening of Central American markets began in 1960 when El Salvador, Guatemala, Honduras and Nicaragua (joined by Costa Rica in 1962) signed the General Treaty for Central American Economic Integration ("General Treaty"), which provided the framework for the *Mercado Común Centroamericano* (the Central American Common Market or "CACM"). The CACM envisioned the creation of a customs union as a temporary step towards the creation of a common market similar to the European Union. In 1995, the five members of the CACM agreed to reduce gradually their external tariff structures for goods produced outside the Central American region.

In early 1998, El Salvador and several Central American countries signed a free trade agreement with the Dominican Republic intended to create a free trade area in accordance with WTO regulations. This agreement became effective on October 1, 2001. In October 1999, El Salvador, along with other Central American countries, entered into a free trade agreement with Chile that became effective on June 1, 2002. El Salvador, Guatemala and Honduras reached a free trade agreement with Mexico, which became effective for El Salvador on March 15, 2001. On March 6, 2002, El Salvador and Panama entered into a free trade agreement that became effective on April 11, 2003.

El Salvador, together with Honduras and Guatemala, signed a Free Trade Agreement with Colombia that entered into force in February 2010.

In September 2012, the free trade agreement between El Salvador and Mexico entered into force, essentially merging three different prior agreements.

El Salvador joined the Customs Union of Guatemala and Honduras in 2018, an effort that permits the countries of the Northern Triangle to carry out a series of initiatives for the integration of border posts to expedite and facilitate foreign trade and coordinate improvements in migratory matters and sanitary and phytosanitary measures, among others.

In 2023, work continued to advance the deep integration process between Guatemala, Honduras and El Salvador. This included the launch of the Advance Declaration of Goods between Guatemala and El Salvador, representing a significant mark in progress. It also ensures compliance with the National Trade Facilitation Strategy and the execution of the action plan defined in the Regional Time Study. The first phase began in 2022, at La Hachadura-Pedro de Alvarado Integrated Border Post, (Guatemala-El Salvador) and applies to goods originating in Central America, covered by the DUCA-F customs document. As of August 24, 2023, it was applied at all remaining land border posts shared by both countries: Las Chinamas – Valle Nuevo; Anguiatú – La Ermita; and San Cristóbal – San Cristóbal, which join La Hachadura and Pedro de Alvarado.

In December 2023, the Central American Strategy for Trade Facilitation and Competitiveness was launched. It emphasizes border management and seeks to improve and strengthen efficiency in border controls and aims to streamline customs processes through: (1) the implementation of the Coordinated Management Model in Borders ("GCF") at land borders, ports and airports; (2) the advance declaration of goods; (3) comprehensive regional risk management; and (4) and the strengthening of authorized economic operator programs.

Trade Initiatives Involving the United States and the European Union

El Salvador has been a beneficiary of the Caribbean Basin Initiative ("CBI") since 1983, when the United States government established the CBI to aid Central American and Caribbean countries. The CBI provides duty-free access to the U.S. market for certain goods manufactured and processed in CBI member countries. Excluded from the original list of duty-free products were beef, textiles, clothing, oil and oil derivatives. Sugar remains subject to quotas. The CBI also contains rules of origin which require that products must have at least 35% CBI-country content in order to be eligible for duty-free treatment.

On October 2, 2000, the United States declared El Salvador eligible for enhanced CBI benefits available under the Caribbean Basin Trade Partnership Act of 2000 ("CBTPA"). The CBTPA significantly expands preferential treatment for apparel made in the Caribbean Basin region. Duty/quota-free treatment is provided for apparel made in the Caribbean Basin region from U.S. fabrics formed from U.S. yarns. Duty/quota-free treatment is also available for certain knit apparel made in CBTPA beneficiary countries from fabrics formed in the Caribbean Basin region, provided that U.S. yarns are used in forming the fabric. This "regional fabric" benefit for knit apparel is subject to an overall yearly limit, with a separate limit provided for t-shirts. Following the expiration in December 2004 of the Agreement on Textiles and Clothing, a multilateral transitional arrangement designed to progressively integrate the textile and clothing sector into the WTO regime, textile quotas have been eliminated.

Duty/quota-free treatment is also available for apparel made in the Caribbean Basin region from fabrics determined to be in "short supply" in the United States, and for designated "hand-loomed, handmade or folklore" articles. In addition to these apparel preferences, the CBTPA provides NAFTA-equivalent tariff treatment for certain items previously excluded from duty-free treatment under the CBI program (*e.g.*, footwear, canned tuna, oil products, watches and watch parts).

On August 1, 2002, the U.S. Congress passed the Trade Act of 2002, which authorized the President of the United States to negotiate trade agreements. After several rounds of negotiations, the United States signed a free trade agreement with the five members of the Central America Economic Integration System (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) on May 28, 2004. Subsequently, the Dominican Republic became a party to the free trade agreement, now referred to as the U.S.-Dominican Republic-Central America Free Trade Agreement or the DR-CAFTA. On March 1, 2006, the DR-CAFTA became effective between the United States and El Salvador.

Under the DR-CAFTA, El Salvador agreed to lower duties on U.S. products over a period of 20 years in the case of agricultural products and over a period of 10 years in the case of industrial products. Over half of U.S. farm exports, including high quality cuts of beef, cotton, wheat, soybeans, key fruits and vegetables, processed food products and wine, are now duty free. Other products enjoying duty free access include information technology, agricultural and construction equipment, paper, chemicals and medical and scientific equipment.

The United States, on the other hand, granted immediate duty-free access to approximately 89% of El Salvador's agricultural products, including natural honey, certain fruit juices, carbonated drinks, beer, and other ethnic products such as *ajonjolí, loroco, queso duro, quesadillas, tamales,* and *pupusas.* Almost all of El Salvador's industrial products exported to the United States now receive duty free access under the DR-CAFTA. These products include canned tuna, jewelry, textiles, ready-to-wear clothing, footwear, crates, hooks and other products made of steel or iron.

The European Union and Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama) signed an association agreement in Tegucigalpa, Honduras on June 29, 2012. The Legislative Assembly of El Salvador ratified the agreement on July 4, 2013 and the Council of Ministers of the European Union ratified the agreement on September 25, 2013. The association agreement became effective in El Salvador on October 1, 2013. The European Union is El Salvador's third largest trade partner after the United States and Central American countries. The main objective of the trade agreement is to increase bilateral trade and strengthen regional integration between the region's countries and promoting the creation of a customs union and economic integration in Central America.

El Salvador chaired the meeting of the Development Committee of the World Intellectual Property Organization ("CDIP"), which seeks to strategically position El Salvador in commercial matters and promote the country's interests on a multilateral level. During the July 2021 session, the CDIP approved the Republic's proposed project to systemize data on intellectual property and to develop economic principles that serve as a basis for decision-making patterns in this area.

Composition of Foreign Trade

Exports

Central America has become the Republic's top trading region since 2019. The following table sets forth the country of destination for the Republic's exports for the years presented:

Merchandise Exports by Country of Destination
For the year Ended December 31
(in millions of US dollars, except percentages)

Country	2019	2020	2021[1]	2022[1]	2023[1]	Percentage of Total Exports 2019	Percentage of Total Exports 2023[1]
Central America	**$2,535.1**	**$2,093.8**	**$2,850.9**	**$3,198.3**	**$3,078.8**	**42.9%**	**47.4%**
Guatemala	940.3	789.1	1,073.0	1,213.3	1,198.6	15.9%	18.4%
Honduras	938.7	747.9	1,054.6	1,184.8	1,059.2	15.9%	16.3%
Nicaragua	393.0	341.0	460.3	496.7	509.8	6.7%	7.8%
Costa Rica	263.1	215.7	263.0	303.5	311.2	4.5%	4.8%
United States	2,482.2	1,953.2	2,591.2	2,759.4	2,313.5	42.0%	35.6%
Mexico	150.2	120.7	137.5	188.9	220.2	2.5%	3.4%
Panama	120.1	87.5	115.9	144.4	127.6	2.0%	2.0%
Dominican Republic	103.1	85.0	104.5	110.3	108.6	1.7%	1.7%
Canada	64.3	21.5	23.0	74.2	107.8	1.1%	1.7%
Spain	49.1	32.8	39.5	55.1	80.4	0.8%	1.2%
Germany	21.4	34.1	47.0	95.5	46.7	0.4%	0.7%
South Korea	31.7	52.8	84.2	39.4	42.1	0.5%	0.6%
Jamaica	17.8	13.9	21.1	25.9	29.2	0.3%	0.4%
Italy	29.6	33.6	36.2	52.2	28.4	0.5%	0.4%
Netherlands	22.7	27.4	27.3	28.2	27.0	0.4%	0.4%
Belgium	10.8	9.8	11.2	25.4	26.7	0.2%	0.4%
Puerto Rico	20.7	21.9	24.5	33.0	25.8	0.4%	0.4%
United Kingdom	9.2	9.1	16.7	25.5	23.6	0.2%	0.4%
Peru	5.9	11.7	12.6	21.6	20.5	0.1%	0.3%
Belize	19.9	11.0	17.5	20.8	18.5	0.3%	0.3%
Haiti	10.1	11.7	17.6	16.5	16.3	0.2%	0.3%
Chile	6.7	5.1	8.5	10.8	12.5	0.1%	0.2%
Japan	9.6	11.2	12.1	15.7	11.5	0.2%	0.2%

People's Republic of China	51.8	50.0	61.2	47.5	11.3	0.9%	0.2%
Taiwan	23.6	24.9	37.5	7.6	9.8	0.4%	0.2%
Rest of countries	109.3	82.9	97.1	119.0	111.3	1.9%	1.7%
Total...	$5,905.0	$4,805.4	$6,394.9	$7,115.1	$6,498.1	100.0%	100.0%

(1) Preliminary figures

Source: *Central Bank of El Salvador.*

In 2023, 47.4% of total exports were directed to countries in Central America (excluding Panama), compared to 41.0% in 2018. This growth can be attributed to the effects of trade facilitation measures undertaken regionally and to the rebuilding of value chains. The percentage of exports to the United States were 44.1% in 2018 and decreased from 42.0% in 2019 to 35.6% in 2023. The value of exports to the United States decreased from US$2,482.2 million to US$2,313.5 million from 2019 to 2023. This was influenced by the decreased demand in 2023 for goods from the textile and clothing industry.

According to the Central American Tariff System ("SAC") classification, the products that reported the highest increases in exports in the 2019-2023 period were: food products, beverages, spirits, tobacco and its substitutes (US$194.7 million); mineral products (US$160.0 million), common metals and their manufactures (US$121.9 million) and plastics and rubber articles thereof (US$120.8 million).

Guatemala, the United States and Honduras are El Salvador's main trading partners in food products, beverages, liquors, tobacco and substitutes.

The following table shows the composition of the main exports of the Republic of El Salvador for the years presented:

Merchandise Exports (FOB) by Groups of Products For the Year Ended December 31						**Percentage of Total Exports**	
Group of Products	**2019**	**2020**	**2021**	**2022[(1)]**	**2023[(1)]**	**2019**	**2023[(1)]**
	(in millions of US dollars, except percentages)						
Live animals and animal products	$60.66	$68.82	$78.93	$85.35	$76.31	1.0%	1.2%
Vegetable products	221.2	194.1	219.1	299.0	288.8	3.7%	4.4%
Coffee, even-roasted or decaffeinated	109.1	92.5	111.1	176.9	147.1	1.8%	2.3%
Others	112.1	101.6	108.1	122.1	141.7	1.9%	2.2%
Animal and vegetable vats and oils	22.1	25.9	28.7	37.3	29.3	0.4%	0.5%
Food products, beverages, spirits, tobacco and its substitutes ..	839.7	717.1	858.8	963.2	1,034.4	14.2%	15.9%
Mineral products	203.8	160.5	256.5	352.3	363.8	3.5%	5.6%
Chemical products	333.5	314.0	378.6	397.1	397.8	5.6%	6.1%
Plastics and rubber, and articles thereof	384.0	347.7	495.0	602.2	504.8	6.5%	7.8%
Skins, leather, saddlery and leatherwork	10.2	6.7	8.7	18.7	21.7	0.2%	0.3%
Wood pulp, paper and cardboard and its waste	353.6	310.8	396.3	449.1	419.1	6.0%	6.4%
Textiles and their manufactures	1,743.9	1,287.4	1,849.4	1,917.3	1,633.9	29.5%	25.1%
Footwear and similar items	30.5	22.0	27.9	34.6	35.5	0.5%	0.5%
Pearls, stones and precious metals	19.5	27.7	26.9	14.0	12.3	0.3%	0.2%
Common metals and their manufactures	282.5	223.1	339.3	372.3	404.4	4.8%	6.2%
Machinery and appliances; electric equipment	68.6	69.7	101.9	113.5	117.8	1.2%	1.8%
Other products	165.7	140.8	178.9	183.7	177.3	2.8%	2.7%
Maquila	1,165.7	889.0	1,149.9	1,275.6	980.9	19.7%	15.1%
Total	**$5,905.0**	**$4,805.4**	**$6,394.9**	**$7,115.1**	**$6,498.1**	**100%**	**100%**

(1) Preliminary figures

Source: *Central Bank of El Salvador.*

For the period 2019-2023, exports registered an average annual growth rate of 3.4%.

In 2019, exports were similar to those of the previous year. The main increases were reflected in food products (in the amount of US$66.3 million), followed by paper products (in the amount of US$28.8 million) and pharmaceutical products (in the amount of US$26.6 million).

In 2020, exports decreased by 18.6% as a result of a decrease in external demand related to the COVID-19 crisis.

In 2021, exports recovered, growing by 33.1%. The main sectors driving this growth were increases in clothing exports (in the amount of US$562.0 million) and *maquila* exports (in the amount of US$260.8 million).

In 2022, export activity continued to grow by 11.3%, with increases in exports of *maquila* products (in the amount of US$125.7 million), food products (in the amount of US$104.4 million) and rubber and plastic products (in the amount of US$107.2 million).

In 2023, exports decreased by 8.7% due to a decrease in external demand from the textile and clothing market, which were partially offset by increases in food products (in the amount of US$71.2 million), electricity supply (in the amount of US$34.7 million) and the manufacturing of metals (in the amount of US$32.1 million).

Maquila exports decreased in 2019-2023, with an average contraction rate of 1.5%, reflecting a reduction from US$1,165.7 million in 2019 to US$980.9 million in 2023.

Export activity in 2023 reflected a significant slowdown in world trade (which grew 0.8% in volume according to the WTO), a strong and sustained drop in demand for goods from the U.S. textile and clothing sector (a 21% decrease through November 2023 (according to the Office of Textiles and Apparel of the U.S. International Trade Administration), weak demand in the semiconductor market and decreases in the prices of basic goods such as coffee.

Imports

The United States is the main supplier of goods for the Salvadoran economy with 28.7% of total imports, followed by China with 15.2% and Guatemala with 10.1% of the total in 2023.

The following table presents imports according to the country of origin:

	Merchandise Import (CIF) by Country of Origin For the year Ended December 31, (in millions of US dollars, except percentages)					**Percentage of Total Imports**	
Country	**2019**	**2020**	**2021**	**2022**	**2023[(1)]**	**2019**	**2023[(1)]**
United States	$3,447.7	$2,622.1	$4,026.2	$5,097.3	$4,486.3	29.7%	28.7%
People's Republic of China	1,656.5	1,447.8	2,493.0	2,846.9	2,384.5	14.3%	15.2%
Guatemala	1,266.6	1,106.0	1,462.5	1,695.6	1,583.9	10.9%	10.1%
Mexico	942.5	944.5	1,181.7	1,395.5	1,282.8	8.1%	8.2%
Honduras	809.2	635.8	848.9	960.4	788.7	7.0%	5.0%
Nicaragua	365.8	327.3	394.9	439.4	488.6	3.2%	3.1%
Costa Rica	306.1	271.3	331.5	368.1	416.7	2.6%	2.7%
Brazil	163.5	143.3	172.4	348.4	340.3	1.4%	2.2%
South Korea	229.4	174.5	344.1	341.3	301.6	2.0%	1.9%
Japan	224.7	170.1	307.0	311.3	298.2	1.9%	1.9%
Germany	169.0	161.7	194.6	220.0	234.8	1.5%	1.5%
Colombia	145.5	134.3	174.9	217.6	213.2	1.3%	1.4%
Spain	173.4	183.7	251.3	213.4	196.8	1.5%	1.3%
India	113.2	97.7	219.7	270.5	190.8	1.0%	1.2%
Canada	70.4	60.3	120.4	118.2	189.7	0.6%	1.2%
Vietnam	82.1	99.6	155.5	163.7	174.0	0.7%	1.1%
Trinidad and Tobago	0.3	0.3	2.4	93.9	147.7	0.0%	0.9%
Italy	111.9	101.5	110.1	146.5	144.8	1.0%	0.9%
Thailand	86.7	77.2	96.8	137.0	144.4	0.7%	0.9%
Ecuador	125.0	24.1	65.5	112.6	137.6	1.1%	0.9%
Taiwan	112.1	91.5	121.1	141.4	126.5	1.0%	0.8%
Argentina	62.4	55.2	81.6	102.1	112.3	0.5%	0.7%
France	64.5	66.6	75.5	86.4	95.6	0.6%	0.6%
Indonesia	40.2	29.4	58.5	82.6	86.9	0.3%	0.6%
Chile	95.3	80.5	104.0	94.8	83.2	0.8%	0.5%
Rest of countries	738.2	781.8	1,223.3	1,103.1	998.6	6.4%	6.4%
Total	**$11,602.1**	**$9,887.9**	**$14,617.4**	**$17,108.0**	**$15,648.3**	**100%**	**100%**

(1) Preliminary figures

Source: *Central Bank of El Salvador*

Between 2019 and 2023, imports of goods recorded an average growth rate of 8.6%, increasing from US$11,602.1 million in 2019 to US$15,648.3 million in 2023. Imports of goods decreased by 14.8% in 2020 due to a decline in domestic demand related to the COVID-19 crisis and related shutdown. Imports of goods also decreased by 8.5% in 2023, mainly due to high levels of inventory. Imports of goods increased by 1.2%, 47.8% and 17.0% in 2019, 2021 and 2022, respectively. The increase in 2021 was due mainly to an increase in prices related to the COVID-19 pandemic and related shutdown. The increase in 2022 was due mainly to an increase in prices resulting from global logistical issues and shortages of certain products as a result of the Russian invasion of Ukraine.

Imports of consumer goods accounted for 39.0% of total imports in 2019 and 39.5% in 2023; imports of intermediate goods accounted for 39.9% in 2019 and 39.0% in 2023; capital imports were 15.5% in 2019 and 17.7% in 2023; and *maquila* represented 5.6% in 2019 and 3.7% in 2023. Imports of consumer goods increased on average by 8.6% between 2019 and 2023. Imports of non-durable goods (representing about 85.2% of imports of consumer goods) increased from US$3,869.4 million in 2019 to US$5,311.8 million in 2023, while imports of durable goods (about 15% of total imports of consumer goods) increased from US$656.5 million in 2019 to US$871.0 million in 2023.

Imports of intermediate goods increased on average by 8.8%, with manufacturing products and products related to construction activity having the greatest weight. Manufacturing products represented 75.7% of intermediate imports in 2019, compared to 76.4% in 2023. Construction activity products represented 13.3% of intermediate imports in 2019 and 15.6% in 2023. Imports of intermediate goods contributed to total imports with 39.9% and 39.0% shares in 2019 and 2023, respectively.

Imports of capital goods increased on average by 11.6% between 2019-2023. This category highlights the participation of three types of capital goods: transport and communications which represented (as a percentage of total imported capital goods) 31.9% in 2019 and 42.6% in 2023; manufacturing which represented 29.1% in 2019 and 29.1% in 2023; and construction which represented 8.2% in 2019 and 8.8% in 2023. Imports of capital goods as a whole accounted for 15.5% of total imports in 2019, while for 2023 the share grew to 17.7% of total imports.

Maquila imports decreased as a percentage of total imports, representing 5.6% in 2019 and 3.7% in 2023. The average rate of increase during the years of 2019-2023 was 1.5%.

From 2019 to 2023, the annual growth rate of total imports was 8.6%. For the same period, consumer goods, intermediate goods, capital goods, and maquila grew at a rate of 8.6%, 8.8%, 11.6% and 1.5%, respectively.

From 2019 to 2023, El Salvador's trade deficit with the United States increased from US$995.5 million in 2019 to US$2,172.7 million in 2023. The United States is the main source of El Salvador's imports. From 2019 to 2023, imports from the United States represented, on average, 28.4% of total goods imported.

Imports from the United States in 2023, by chapters of the Harmonized System, consisted mainly of, among others, fuels, oils, and distillates, bituminous materials and mineral waxes (46.8%), cereals (4.8%) and plastics and derivatives (4.0%).

The following table provides a list of merchandise imports (CIF) by type of good:

	Merchandise Imports (CIF) by Type of Good For the Year Ended December 31 (in millions of US dollars, except percentages)					**Percentage of Total Imports**	
Category	**2019**	**2020**	**2021(1)**	**2022(1)**	**2023(1)**	**2019**	**2023(1)**
I. Consumer Goods	**4,525.9**	**4,023.1**	**5,484.8**	**6,288.1**	**6,182.7**		
A. Non Durable	3,869.4	3,449.6	4,594.6	5,348.5	5,311.8	33.4%	33.9%
B. Durable	656.5	573.5	890.2	939.5	871.0	5.7%	5.6%
II. Intermediate Goods	**4,634.8**	**3,688.0**	**5,722.0**	**7,249.5**	**6,110.6**		
A. Manufacturing	3,508.2	2,783.5	4,318.0	5,527.6	4,666.5	30.2%	29.8%
B. Agriculture	269.3	271.7	333.1	499.3	384.8	2.3%	2.5%
C. Construction	618.7	527.2	911.6	1,041.2	952.1	5.3%	6.1%
D. Other	238.7	105.5	159.3	181.4	107.2	2.1%	0.7%
III. Capital Goods	**1,794.8**	**1,696.6**	**2,731.7**	**2,766.0**	**2,776.1**		
A. Manufacturing	582.8	494.2	762.9	796.9	806.7	5.0%	5.2%
B. Transport and communication	693.9	540.4	982.4	1,081.8	1,181.7	6.0%	7.6%
C. Agriculture	26.4	30.7	42.8	52.8	44.3	0.2%	0.3%
D. Construction	146.4	140.3	170.9	223.3	245.2	1.3%	1.6%
E. Commerce	126.7	122.9	394.6	330.9	209.7	1.1%	1.3%
F. Services	61.9	61.7	77.3	100.1	99.7	0.5%	0.6%
G. Electricity, Water and Services	156.2	306.0	299.8	178.4	187.2	1.3%	1.2%
H. Financial	0.5	0.4	1.1	1.6	1.5	0.0%	0.0%
IV. Maquila	**646.6**	**480.3**	**678.9**	**804.5**	**578.9**	5.6%	3.7%
TOTAL	**11,602.1**	**9,887.9**	**14,617.4**	**17,108.0**	**15,648.3**	100%	100%

(1) Preliminary figures

Source: *Central Bank of El Salvador.*

Balance of Payments

In 2019, the current account deficit totaled US$113.4 million, US$745.8 million lower than the previous year. This was mainly caused by a decrease in the deficits of the goods and services account by US$346.4 million and primary income account by US$129.0 million, partially offset by an increase in the secondary income account of US$270.4 million.

In 2020, due to the COVID-19 health crisis, current account results were positive, registering a surplus of US$276.7 million. The goods and services account deficit fell by US$81.3 million, the primary income deficit increased by US$36.3 million and the secondary income account showed an increase in the surplus of US$345.0 million. The surplus in services decreased in 2020 due to the reduction in income from the travel account, which was seriously affected by the lockdowns and restrictions on transport and international mobility.

In 2021, a current account deficit of US$1,250.5 million was recorded. The largest impact was observed in the widening of the goods deficit, which rose US$2.9 billion, principally as a result of the post-pandemic economic recovery and the greater demand for consumers of goods. The primary income deficit increased by US$310.6 million. The secondary income surplus had an extraordinary increase of US$1,585.0 million due mainly to the increase in family remittances related to the post-pandemic economic recovery which, in turn, resulted from the economic stimulus provided by the United States government and which benefitted Salvadorans working in the United States.

In 2022, the current account deficit increased to US$2,182.2 million, caused mainly by the increase in the deficit of goods and services account by US$888.4 million as exports and imports of goods increased by US$594.1 million and US$2,224.3 million, respectively. The rise in global inflation had a major impact on exports and imports of goods. The services surplus improved by US$741.9 million in 2022, mainly due to increases in the travel, communications and financial services accounts. The deficit in the primary income account increased by US$294.5 million and the surplus secondary income account also increased by US$251.1 million.

In 2023, the deficit in the current account decreased considerably to US$465.7 million. This decrease in the current account deficit was due mainly to a US$704.0 million reduction in the goods account deficit and a US$913.2 million increase in the surplus of the services account. In addition, the deficit in the primary income account increased to US$2,141.6 million and the secondary income account surplus increased to US$8,079.1 million.

In 2022 and 2023, the travel account benefitted from implementation of the Government's strategies in the tourism sector, such as the Surf City project and the hosting of international events in El Salvador, as well as the Government's efforts to improve internal security throughout the country.

The following table shows El Salvador's balance of payments for the years presented:

Balance of Payments
In millions of US dollars

	2019	**2020**	**2021[1]**	**2022[1]**	**2023[1]**
Current Account	(113.4)	276.7	(1,250.5)	(2,182.2)	(465.7)
Trade and services balance	(4,411.9)	(4,330.5)	(7,132.0)	(8,020.4)	(6,403.2)
Exports (FOB goods and services)	8,056.7	6,116.8	8,351.4	10,163.9	10,629.2
Imports (FOB goods and services)	12,468.6	10,447.4	15,483.4	18,184.3	17,032.4
Primary Income	(1,341.1)	(1,377.4)	(1,688)	(1,982.5)	(2,141.6)
Secondary Income	5,639.6	5,984.6	7,569.6	7,820.7	8079.1
Personal Transfers (Remittances)	5631.3	5,910.7	7,530.4	7,747.0	8076.5
Other Private Transfers	(5.8)	(24.3)	(41.3)	(61.7)	(17.0)
General Government (Public)	14.2	98.2	80.6	135.5	19.6
Capital Account	247.7	300.4	254	241.8	336.5
Net borrowing (from current and capital account)	134.3	577.1	(996.4)	(1,940.4)	(129.2)
Net borrowing (from financial account)	(138.5)	(936.8)	(1,263.8)	(1,248.3)	(651.8)
Financial account	(138.5)	(936.8)	(1,263.8)	(1,248.3)	(651.8)
Direct Investment	(635.8)	(2.8)	(373.4)	(141.6)	(730.3)
Net acquisition of financial assets	60.5	383.8	427.1	(131.4)	(92.2)
Net liabilities	696.3	386.5	800.4	10.2	638.1
Portfolio Investment	(17.4)	250.8	(302.8)	502.8	141.1
Net acquisition of financial assets	178.1	1,077.6	(302.8)	(125.0)	(173.0)
Net liabilities	195.5	826.8	0	(627.9)	(314.2)
Financial derivatives	NA	NA	NA	NA	(11.2)
Net acquisition of financial assets	NA	NA	NA	NA	(18.1)
Net liabilities	NA	NA	NA	NA	(6.9)
Other Investment	(361.4)	202.4	(950.8)	(917.6)	(450.3)
Net acquisition of financial assets	11.7	532.3	533.7	(119.2)	553

Net liabilities	373.1	329.9	1,484.5	798.4	1003.3
Reserve assets	876	(1,387.1)	363.1	(691.9)	398.9
Net acquisition of financial assets	876	(1,387.1)	363.1	(691.9)	398.9
Errors and omissions	(272.8)	(1,513.9)	(267.4)	692.2	(522.5)

(1) Preliminary.

Source: *Central Bank of El Salvador.*

Current Account

The trade and services deficit increased from US$4,411.9 million in 2019 to US$6,403.2 million in 2023. During the 2019-2022 period, exports of goods and services grew at an average rate of 7.0% and imports of goods and services 6.7%. The primary income deficit had an average growth rate of 7.8% over the same period and the secondary income surplus grew at an average rate of 8.5%.

Remittances, which are included in the secondary income of the balance of payments (Personal Transfers (Remittances)), totaled US$5,631.1 million in 2019, US$5,910.7 million in 2020, US$7,530.4 million in 2021 and US$7,747.0 million in 2022 and US$8,076.5 million in 2023, representing 20.9%, 23.7%, 25.9%, 24.2% and 23.7% of GDP, respectively.

The impact of remittances on the country's balance of payments has been two-fold. First, by increasing national income, remittances generally increase private consumption of foreign and domestic goods and services, which could create inflationary pressures. Second, by partially funding the increased demand for imports, the inflow of remittances has made possible a wide trade gap. The level of remittances is subject to various social and economic factors, such as the return to El Salvador of some of the workers currently in the United States, changes in U.S. immigration policy (including the possibility of a future withdrawal of the temporary protected status afforded to Salvadoran immigrants in the United States), the deaths of older recipients of remittances, the eventual employment of younger recipients of remittances, the establishment of families outside of El Salvador by Salvadorans who remain abroad and reduced remittances due to layoffs and reduced commercial activities in the United States during the COVID-19 pandemic.

In 2017 and 2018, remittances to El Salvador may have increased significantly due to fears of changes in U.S. immigration policy, including the cancellation or restriction of the Temporary Protection Status Program ("TPS") as it applies to El Salvador. In January 2018, the Department of Homeland Security ("DHS") announced it would terminate TPS for El Salvador.

On April 22, 2020, former U.S. President Donald J. Trump announced a suspension of all legal immigration proceedings, including permanent resident cards. On June 21, 2023, DHS announced the rescission of the 2018 termination of the TPS designation of El Salvador and extended El Salvador's designation until March 9, 2025. The uncertainty about the future of TPS for El Salvador and other immigration restrictions has led many Salvadorans to have significant concerns about their ability to remain in the United States.

The Biden Administration announced the creation of regional processing centers in Latin America so that immigrants can apply for asylum in the United States. The waiting centers are located in Guatemala and Colombia, two countries through which migrants usually pass towards the U.S. border.

Capital and Financial Account

From 2019 to 2023, the capital account recorded surplus balances, reaching an average growth rate of 10.6% during the period. On the other hand, the financial account recorded net borrowing during this period.

Direct investment contributed to financing in all year, when there were reductions in flows received, which was related to extraordinary dividend payments. Portfolio investment played a minor role in financing the external balance, except in 2021. For 2022, the financial account registered net borrowing of US$1,248.3 million, a decrease of US$155.2 million compared to 2021.

In 2023, the financial account registered net borrowing of US$651.8 million, representing a decrease in net borrowing of US$596.5 million compared to 2022. Financial assets increased by US$668.6 million, principally as a result of increases in deposit accounts, reserve assets and commercial credit portfolios. Net financial liabilities increased by US$1,320.3 million in 2023, mainly due to increases in loans, accounts payable and direct investment, as well as prepayments of debt instruments.

Foreign Direct Investment

	Net Foreign Direct Investment Flows for the Years Indicated As of December 31,				
	2019	2020	2021[(1)]	2022[(1)]	2023[(1)]
	(in millions of US dollars)				
FDI (net)	$636.2	$24.5	$385.7	$170.9	759.7

[(1)] Preliminary.

Source: *Central Bank of El Salvador.*

FDI positions in El Salvador reached US$9,665.6 million, US$9,980.8 million, US$9,395.3 million, US$9,902.0 million and US$10,099.9 million in 2018, 2019, 2020, 2021 and 2022, respectively. As of December 31, 2023, the net FDI position was US$10,841.4 million. The main FDI activities measured as the average share of FDI positions in the period 2018-2022 were: financial and insurance activities with 31.3%, manufacturing with 23.8%, and commercial activities with 15.5%. FDI net inflows during the year ended December 31, 2023, were US$759.9 million, a growth of US$588.9 million compared to 2022.

Foreign Currency Reserves

As of December 31, 2023, the Central Bank had international reserves equivalent to 2.0 months of imports of goods. In 2019, 2020, 2021 and 2022, the Central Bank maintained reserves equivalent to 4.2, 3.5, 2.7 and 1.7 months, respectively, of imports of goods. As of December 31, 2023, net international reserves totaled US$2,645.5 million, representing an increase of 8.4% compared to US$2,440.4 million as of December 31, 2022. As of February 29, 2024, net international reserves totaled US$2,700.8 million compared to US$2,548.2 million as of February 28, 2023.

The following table shows the Central Bank's net international reserves for the periods presented:

	Net International Reserves As of December 31,				
	2019	2020	2021	2022	2023
	(in millions of US dollars)				
Gold..	66.8	83.3	80.3	79.9	91.0
Foreign currencies	4,149.7	2,765.4	2736.7	2,403.4	2,774.1
Cash......................................	72.8	200.7	435.9	398.9	288.9
Deposits abroad	26.1	45.7	63.9	4.8	38.7
Investments...........................	4,050.8	2,519.0	2,237.0	1,999.7	2,446.5
Special drawing rights	229.3	234.1	609.1	213.3	216.1
Liabilities:					
Total Liabilities	509.3	167.5	83.7	256.1	435.7
Net International Reserves:	3,936.5	2,915.2	3,342.4	2,440.4	2,645.5

Source: *Central Bank of El Salvador*

MONETARY SYSTEM

The Central Bank (Banco Central de Reserva de El Salvador)

The Central Bank was created in 1934 and reorganized in 1991 with the objectives of controlling inflation, preserving the internal and external value of the national currency and maintaining adequate levels of liquidity in the financial system. The Central Bank is prohibited from financing, directly or indirectly, the Government or any state-owned entities, or from investing in securities issued by any of them. In February 2011, the Central Bank's governing law was amended to grant it the responsibility of acting as lender of last resort to extend credit to banks in the case of extraordinary withdrawals from the banking system.

The Central Bank is an independent and autonomous institution led by a board of directors made up of the President and Vice-president of the Central Bank as well as five full-term directors with their alternates, named for a period of five years and only removable for cause. Two of the directors are nominated by the Ministers of Finance and Economy, while the other three are nominated by the private sector, professional guilds and private universities. The President of the Republic appoints the directors from the list of nominees.

The Central Bank issues *Certificados Negociables de Liquidez* ("CENELIs"), which are short-term US dollar-denominated liquidity management instruments, and US-dollar denominated medium-term instruments ("Bonos BCs") intended to provide greater stability and liquidity to the Central Bank. There are currently no Bonos BCs nor CENELIs outstanding.

Financial Sector

The entities participating in the financial system in El Salvador include commercial banks (including two state-owned banks), insurance companies, one state-owned development bank, broker/dealers, one securities depository, five operating rating agencies, bonded warehouses, financial leasing companies, the El Salvador Stock Exchange, DGI, pension fund administrators, investment fund managers and securitization companies.

In the early 1980s, the Government nationalized all commercial banks and savings and loans associations. During the ensuing years, the operation of the financial system was frequently in the hands of political appointees, and by 1989, the system was essentially insolvent. As the state-owned banks lost public confidence, private entities were formed and accepted deposits and extended credit. Beginning in 1989, the Republic began the modernization of the financial system through the reorganization of the Central Bank, the regulation of financial institutions and the privatization of the banks through the sale of shares to bank employees and other individual shareholders.

Following the privatization of the banking system in 1992, the Central Bank recognized an account receivable from the Government for approximately US$100 million in connection with bad loans that the Central Bank had absorbed from the privatized entities. Since such time, the financial sector in El Salvador has grown steadily and, as of December 31, 2018, the aggregate value of deposits in the system was approximately US$12.3 billion, an increase of 5.2% compared to December 31, 2017. As of December 31, 2019, the aggregate value of deposits in the system was approximately US$13.7 billion, an increase of 11.0% compared to December 31, 2018. As of December 31, 2020, the value of total deposits in the system was approximately US$15.3 billion, an increase of 11.5% compared to December 31, 2019. As of December 31, 2021, the value of total deposits in the system was approximately US$15.6 billion, an increase of 2.4% compared to December 31, 2020. As of December 31, 2022, the value of total deposits in the system was approximately US$16.1 billion, an increase of 3.3% compared to December 31, 2021. As of December 31, 2023, the value of total deposits in the system was approximately US$17.3 billion, an increase of 7.0% compared to December 31, 2022.

The Banking Law imposed on financial institutions capital adequacy requirements and other standards corresponding to the Basel Accords. Under applicable law, the capital adequacy requirement of 11.5% in 2004 was increased to 12.0% in 2005, and has not been subsequently modified. The *Superintendencia del Sistema Financiero* (the "Superintendency of the Financial System") supervises compliance with these standards. The Banking Law, enacted in 1999, includes limits on loans to shareholders, establishes minimum capital requirements and regulates supervisory powers and the independence of the Superintendency of the Financial System. The DGI, created by the Banking Law, guarantees deposits of up to US$11,951.0. Originally completely funded by the Government, DGI currently receives obligatory contributions from banks operating in the financial system. The Banking Law also governs the transparency and reporting requirements of banks, imposes audit standards and limits related party loans and other transactions. Subsequent amendments to the Banking Law provide greater protections to depositors by creating stricter capital and risk management requirements and granting broader authority to the Superintendency of the Financial System with respect to troubled financial institutions.

In an effort to strengthen the financial system's ability to withstand shocks, the Legislative Assembly enacted the Financial Sector Supervision and Regulatory Law in January 2011. The law merged the supervisory entities for pensions and securities into the Superintendency of the Financial System (banks, insurance companies and savings and loan companies). The law enhances functional autonomy for the new supervisory institution, strengthens cross-border supervision through improved information-sharing mechanisms and makes the Central Bank the consolidated financial system regulatory authority.

The Superintendency of the Financial System maintained the paid-in capital for banks requirement of US$17.6 million for the 2017-2018 period. The paid-in-capital requirement for banks was increased to US$18.1 million, effective from January 1, 2019 until December 31, 2020.

In December 2022, the Board of Directors of the Superintendency of the Financial System, agreed to increase the minimum paid-up share capital of banks from US$18.1 million to US$20.6 million. The new rule became effective on January 1, 2023. Entities had a 180-day grace period to meet the new requirements.

Commercial Banks

As of December 31, 2019, assets in the private banking sector totaled US$17.8 billion. As of December 31, 2020, the assets in the private banking sector totaled US$18.6 billion. As of December 31, 2021, assets in the private banking sector totaled US$19.0 billion. As of December 31, 2022, assets in the private banking sector totaled US$19.7 billion. As of December 31, 2023, assets in the private banking sector totaled US$20.7 billion.

As of December 31, 2023, the Salvadoran banking system had a total of 12 banks of which eight were foreign owned, two were state owned, and two were locally owned. As of December 31, 2022, the capitalization ratio of the banking system was 14.8%, the return on average equity (ROAE) was 12.5% and the return on average assets (ROAA) was 1.40%.

The following table sets forth total assets of the Salvadoran private banking sector and the percentage of non-performing loans over total loans:

	Banking System(1) For the Year Ended December 31,				
	2019	**2020**	**2021**	**2022**	**2023**
Total assets (in billions of US dollars)	US$17.8	US18.6	US$19.0	US$19.7	US$20.7
Total deposits (in billions of US dollars)	US$12.6	US$13.9	US$13.9	US$14.4	US$15.2
Non-performing loans (as % of total loans)	1.7%	1.6%	1.9%	1.9%	1.8%

(1) Excluding the two state-owned banks and BANDESAL. As of December 31, 2023, the aggregate assets, deposits and non-performing loans as a percentage of total loans of the two state-owned banks were US$2.8 billion, US$2.1 billion and 2.26%, respectively.

Source: *Central Bank of El Salvador.*

In 2007, Grupo Bancolombia (Colombia) acquired Banco Agrícola, and Citibank acquired Banco Cuscatlán and Banco Uno. In September 2008, Banco Cuscatlán and Banco Uno merged and operate under the name of Banco Citibank de El Salvador. In July 2009, Banco Azteca (Mexico) initiated operations in El Salvador. In November 2010, First Commercial Bank closed its affiliated office in El Salvador. In July 2011, Banco Industrial (Guatemala) initiated operations in El Salvador. In July 2015, Banco Azul initiated operations in El Salvador. Grupo Terra, Honduras acquired Banco Citibank in El Salvador during June and July 2016, which now operates as Banco Cuscatlán de El Salvador. In October 2017, the Financial Group Atlantida, of Honduran nationality, purchased Bank Procrédit. In November 2017, the new entity began to operate under the commercial name of Banco Atlántida El Salvador S.A. In February 2019, Scotia Capital (USA) Inc. announced that it reached an agreement with Grupo Imperia International Inc., the main shareholder of Banco Cuscatlán de El Salvador S.A., to sell its banking operations. The transaction was approved by the Superintendency of Competition on January 24, 2020. In June 2019, the Salvadoran group Perinversiones S.A. de C.V. completed the acquisition of Banco Azteca. The acquisition was approved by the Superintendency of Competition on May 30, 2019. The name of Banco Azteca has been changed to ABANK.

In 2021, Banco Azul acquired most of the shares of Banco G&T Continental El Salvador. In July 2022, the former absorbed the latter.

Commercial banks are under the supervision of the Superintendency of the Financial System and are subject to periodic reporting requirements and mandatory audits. Commercial banks are required to maintain a certain percentage of their deposits as a reserve deposited at the Central Bank in the form of cash or securities issued by the Central Bank. See "— Interest Rates and Money Supply".

Cooperative Banks and Savings and Loans Companies

The financial system in El Salvador also includes six "non-banking financial intermediaries" (as they were previously known), consisting primarily of cooperatives/credit unions (entities constituted to provide financial services to their members), federations (organizations of cooperatives engaging in the same type of financial activity that provide assessment and technical assistance services to their member cooperatives) and savings and loans companies (non- governmental financial entities that may collect deposits from the public and make loans). The cooperative banks and savings and loans companies are supervised by the Superintendency of the Financial System pursuant to the *Ley de Bancos Cooperativos y Sociedades de Ahorro y Crédito* (the "Cooperative Banks and Savings and Loans Companies Law"), which became effective in 2001 and was subsequently amended in 2004, 2008, and 2011. The purpose of the creation of these entities by the Cooperative Banks and Savings and Loans Companies Law is to improve access to the financial system for micro and small enterprises through competition.

In 2013, the Superintendency of the Financial System authorized the beginning of operations of the *Sociedad de Ahorro y Crédito Constelación, S.A.* and, in December 2014, authorized the beginning of operations of the S*ociedad de Ahorro y Crédito Multivalores, S.A.* (now operates under the name of *Sociedad de Ahorro y Crédito Multimoney*), both savings and loan companies.

State-Owned Financial Institutions

In addition to the Central Bank, the state owns four financial institutions, each of which was chartered for the purpose of extending credit to a specific sector of the economy:

- Banco Hipotecario de El Salvador, S.A. (Mortgage Bank of El Salvador),
- Banco de Fomento Agropecuario (Agricultural Development Bank),
- Banco de Desarrollo de El Salvador ("BANDESAL"), and
- Fondo Social para la Vivienda (Social Housing Fund).

These institutions extend credit on favorable terms. These state-owned entities are governed by special legislation in addition to the general rules applicable to private financial institutions.

Banco Hipotecario de El Salvador, S.A. specializes in providing financing to productive sectors of the economy, such as small and medium-sized companies and other relevant sectors. *Banco de Fomento Agropecuario* specializes in the agricultural sector and micro-sized companies.

As of December 31, 2019, the Social Housing Fund had US$949.8 million in total assets and US$463.1 million in total liabilities. As of December 31, 2020, it had US$957.1 million in total assets and US$437.1 million in total liabilities. As of December 31, 2021, it had US$963.8 million in total assets and US$407.9 million in total liabilities. As of December 31, 2022, it had US$1,014.2 million in total assets and US$417.2 million in total liabilities, and as of December 31, 2023, it had US$1,058.7 million in total assets and US$410.1 million in liabilities.

On December 31, 2019, the Agricultural Development Bank had US$417.4 million in total assets and US$366.7 million in total liabilities. On December 31, 2020, it had US$431.7 million in total assets and US$378.2 million in total liabilities. On December 31, 2021, it had US$471.7 million in total assets and US$414.6 million in total liabilities. On December 31, 2022, the Agricultural Development Bank had US$465.6 million in total assets and US$402.3 million in total liabilities, and as of December 31, 2023, it had US$480.5 million in total assets and US$410.0 million in total liabilities.

As of December 31, 2019, the Mortgage Bank of El Salvador had total assets of US$1,111.3 million and total liabilities of US$979.4 million. As of December 31, 2020, it had US$1,367.6 million in total assets and US$1,224.3 million in total liabilities. As of December 31, 2021, it had US$1,644.8 million in total assets and US$1,482.8 million in total liabilities. As of December 31, 2022, the Mortgage Bank of El Salvador had US$1,732.9 million in total assets and US$1,552.4 million in total liabilities, and as of December 31, 2023, it had US$2,271.3 million in total assets and US$2,069.2 million in total liabilities.

On December 31, 2019, BANDESAL had total assets of US$539.1 million and total liabilities of US$286.0 million. On December 31, 2020, it had US$548.3 million in total assets and US$286.4 million in total liabilities. As of December 31, 2021, it had US$633.0 million in total assets and US$363.5 million in total liabilities. On December 31, 2022, BANDESAL had US$705.2 million in total assets and US$425.7 million in total liabilities. As of December 31, 2023, it had US$748.2 million in total assets and US$459.8 million in total liabilities.

Capital Markets

The Salvadoran capital markets are regulated by the *Ley del Mercado de Valores* (the "Stock Exchange Law") and the Financial Sector Supervision and Regulatory Law enacted in 1994 and 2011, respectively, and are supervised by the Superintendency of the Financial System. On September 4, 2014, the Legislative Assembly enacted amendments to the Stock Exchange Law intended to expand the securities market. The amendments accommodate the entry of investors pursuant to the Investment Funds Law, adjust securities registration procedures, and enable local operators to transact in foreign stock exchanges upon satisfying certain conditions.

In 2019, primary market issuances increased by 81.6% compared to the prior year and totaled US$831.4 million in traded volume. Secondary market issuances decreased by 1.1% compared to the prior year and totaled US$279.8 million in traded volume.

In 2020, primary market issuances decreased by 44.0% compared to the prior year and totaled US$465.7 million in traded volume. Secondary market trading increased by 51.1% compared to the prior year and totaled US$422.9 million in traded volume.

In 2021, primary market issuances increased by 163.0% compared to the prior year and totaled US$1,224.7 million in traded volume. Secondary market trading decreased by 7.9% compared to the prior year and totaled US$389.3 million in traded volume.

In 2022, primary market issuances increased by 20.7% compared to the prior year and totaled US$971.4 million in traded volume. Secondary market trading decreased by 0.01% compared to the prior year and totaled US$389.3 million in traded volume.

In 2023, primary market issuances increased by 90.0% compared to the prior year and totaled US$1,845.5 million in traded volume. Secondary market trading decreased by 25.7% compared to the prior year and totaled US$289.4 million in traded volume.

Repurchase agreements ("repos") represent the largest share of securities trading transactions in El Salvador. Repo transactions are typically entered into among financial institutions and involve trading of public debt securities issued by the Government of El Salvador: Treasury Bills (LETES), Treasury Certificates (CETES), Bonds and Eurobonds, which are equivalent to 92% of total repos negotiated in 2023. Repo trading represented approximately 63.8% of total trading in 2019, 32.9% in 2020, 35.3% in 2021, 34.8% in 2022 and 37.3% in 2023.

The following table shows aggregate amounts of traded securities for the periods listed:

	Aggregate Amounts of Traded Securities For the Year Ended December 31,				
	2019	**2020**	**2021**	**2022**	**2023**
Repos	$2,639.3	$1,146.9	$1,295.2	$1,049.5	$1,917.7
Primary Market	831.4	465.7	1,224.7	971.4	1,845.5
Secondary Market	279.8	422.9	389.3	389.3	289.4
Other	388.4	1,452.7	756.3	608.0	1,090.0
Total	$4,138.9	$3,488.2	$ 3,665.5	$ 3,018.1	$5,142.6

Source: *Central Bank of El Salvador.*

The Legislature enacted the Investment Funds Law on August 21, 2014, which permits the establishment of investment funds in El Salvador and marketing of funds created abroad, increasing investment options and encouraging investment by retail and institutional investors in the local market. Upon approval by the Central Bank of the regulatory framework required for implementation, this law became effective in October 2016, when the first investment fund started operations.

On November 12, 2015, the Legislative Assembly enacted amendments to *Código Tributario* (the "Tax Code"), cutting the tax rate from 20% to 3% for yield and capital gains on securities traded in the Salvadoran primary and secondary capital markets by non-resident investors. This tax cut is intended to attract foreign investors to the country's securities market.

In 2019, US$4.1 billion of securities were traded on the El Salvador Stock Exchange, representing an increase of 7.6% in comparison with the US$3.8 billion that were traded in 2018. In 2020, US$3.5 billion of securities were traded on the El Salvador Stock Exchange, representing a decrease of 14.6% compared to 2019. In 2021, US$3.7 billion of securities were traded on the El Salvador Stock Exchange and in 2022, US$3.0 billion of securities were traded on the exchange, representing a decrease of 17.7% compared to 2021. In 2023, US$5.1 billion of securities were traded on the El Salvador Stock Exchange, representing an increase of 70.4% compared to 2022.

As of December 31, 2023, a total of 289 issues are registered with the El Salvador Stock Exchange, of which 95 were domestic issues and 194 were international issues. Of the international issuances, 78 corresponded to commercial banks and financial institutions, 78 to private institutions, 33 were sovereign and public sector issuances and 5 corresponded to international organizations.

Interest Rates and Money Supply

The following table sets forth the average annual interest rates for the periods presented:

	Average Interest Rates				
	2019	**2020**	**2021**	**2022**	**2023**
			(in percentages)		
Loans					
Short-term	6.6	6.6	6.2	6.4	7.5
Long-term	9.5	9.0	8.8	9.8	10.6
Deposits					
30-day	3.6	3.5	3.1	3.4	4.1
180-day	4.3	4.2	4.1	4.5	5.3

Source: *Central Bank of El Salvador.*

In 2019, the short-term interest rate increased to 6.6% and the long-term interest rate decreased to 9.5%. In 2020, the interest rate on short-term loans remained at 6.6% and the long-term rate decreased to 9.0%. In 2021, the interest rate on short-term loans decreased to 6.2% and the long-term rate decreased to 8.8%. In 2022, the interest rate on short-term loans increased to 6.4% and long-term increased to 9.8%. The interest rate on 30-day deposits decreased from 3.7% in 2018 to 3.4% in 2022, while the interest rate on 180-day deposits increased from 4.4% in 2018 to 4.5% in 2022.

In 2023, the interest rate on long-term loans increased to 10.6% compared to 9.8% in 2022. The interest rate on short-term loans increased to 7.5% in 2023 compared to 6.4% in 2022. The interest rate on 30-day deposits increased to 4.1% in 2023 compared to 3.4% in 2022. The interest rate on 180-day deposits increased to 5.3% in 2023 from 4.5% in 2022.

The following table sets forth the principal monetary indicators for the periods presented:

Principal Monetary Indicators
On December 31,

	2019	2020	2021	2022	2023[1]
	(in millions of US dollars)				
Currency in circulation	$1.9	$1.5	$1.6	$1.5	$1.6
Demand deposits	$4,249.4	$4,995.5	$5,137.0	$4,995.7	5,020.8
M1	$4,251.3	$4,997.0	$5,138.6	$4,997.3	5,022.4
M2 (M1 plus savings deposits plus term deposits plus securities other than shares in local currency)	$14,709.9	$16,409.3	$16,819.1	$17,640.8	18,777.2
Deposits in foreign currency	$0.0	$0.0	$0.0	$0.0	0
Others	$1,168.1	$877.4	$858.0	$858.1	1,365.1
M3 (M2 plus deposits in foreign currency)	$15,878.0	$17,286.7	$17,677.0	$18,499.0	$20,142.3

(1) Preliminary
(2) Since December 2012, the *Banco Central de Reserva de El Salvador* has implemented harmonized monetary and financial statistics, which are based on the IMF's Monetary and Financial Statistics Manual (2000). As of December 2009, the Savings and Credit Societies are incorporated into the Other Deposit Societies.

Source: *Central Bank of El Salvador.*

Effective January 1, 2001, pursuant to the Monetary Integration Act the U.S. dollar is the legal tender and is permitted to circulate freely in El Salvador. *Colones* in circulation rapidly decreased after that time. Currently all circulating cash in El Salvador is U.S. dollars. Further, pursuant to the Monetary Integration Act, all *colón*-denominated deposits were converted into U.S. dollars effective January 1, 2001, 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 are for periods from and after January 1, 2001 classified as demand deposits, savings or term deposits, as applicable.

Inflation

El Salvador has experienced moderate levels of inflation, even during episodes of unfavorable economic conditions. The highest rate of inflation registered in El Salvador was 31.9%, which occurred in 1985. The establishment of an independent Central Bank caused this rate to decline substantially and, from 1991 to 2000, the rate of inflation continued to decline. The enactment of the Monetary Integration Act initially caused El Salvador's inflation to approach the inflation levels of the United States, although in 2003 it began to diverge and in recent years has been driven by variations in international prices of food, oil and other commodities, in addition to certain internal factors such as natural disasters, economic policy measures and adjustments to public utilities' prices.

The following table sets forth the rate of inflation in the Republic as measured by the CPI for the years indicated:

CPI
For the Year Ended December 31,

	2019	2020	2021	2022	2023
Inflation	0.0%	(0.1)%	6.1%	7.3%	1.2%

Source: *Dirección General de Estadística y Censos (DIGESTYC). CPI base of December 2009 = 100*

In 2019, the inflation rate was 0.0% mainly due to increases in the prices of non-alcoholic food and beverages (1.2%), restaurants and hotels (0.9%), medical care (0.8%), education (0.7%) and transportation and storage (0.5%), which were offset by decreases in the prices of housing, water, electricity and oil-derived products of (-2.3%), apparel and footwear (-1.9%) and communications (-1.2%). The inflation rate was negative 0.1% in 2020 mainly due to a decrease in oil and electricity prices, offset by an increase in price of food and beverages.

During 2021, as mobility restrictions were lifted the demand for goods and services increased worldwide, upward pressure was placed on the prices of oil and its derivatives. These increases impacted local inflation through the prices of fuel, propane gas, electricity, and agricultural inputs, such as fertilizers. As a result, inflation in 2021 was 6.1%.

In 2022, the inflation rate increased to 7.3%, mainly due to increases in the prices of food and beverages (12.2%), restaurants and hotels (8.1%) and miscellaneous goods and services (9.9%).

In 2023, the inflation rate was 1.2%, reaching its lowest level since 2021. This decrease resulted from decreases in transportation costs due to the decrease in international oil prices. In addition, increases in food prices have moderated, registering a rate of 4.0% in 2023, the lowest level in recent months.

During the first months of 2024, inflation has continued to trend downward. In February 2024, the inflation rate (on an annualized basis) was 0.8%, the lowest rate registered since 2021.

Bitcoin

On June 9, 2021, the Legislative Assembly enacted the *Ley Bitcoin* ("Bitcoin Law") pursuant to Decree No. 57. The Bitcoin Law establishes Bitcoin as legal tender in El Salvador, in addition to the U.S. dollar. It provides that businesses in El Salvador must accept payment in Bitcoin in exchange for goods and services.

The *Ley de Creación del Fideicomiso Bitcoin* ("FIDEBITCOIN Law") was enacted by the Legislative Assembly pursuant to Decree No. 137 dated August 31, 2021. The FIDEBITCOIN Law provides for the establishment of the Bitcoin trust ("FIDEBITCOIN"). *Banco de Desarrollo de El Salvador* ("BANDESAL") is the trustee of FIDEBITCOIN. BANDESAL, in conjunction with a *Consejo de Administración* established pursuant to the FIDEBITCOIN Law, is responsible for administering the assets held in the FIDEBITCOIN trust. The FIDEBITCOIN Law provides that BANDESAL and FIDEBITCOIN are independent of one another and BANDESAL, as trustee, will not guarantee or otherwise be liable for obligations of FIDEBITCOIN.

In accordance with the FIDEBITCOIN Law, the Government funded the trust in 2021 in the amount of US$150 million. The funds held in the trust have been used to, among other things, launch the *Chivo* wallet, including conversion costs, and otherwise operationalize the Bitcoin law, and support the convertibility of Bitcoin to U.S. dollars; additionally, a one-time grant of US$30 equivalent Bitcoin was awarded to qualified Salvadoran users of the *Chivo* wallet.

Under the Bitcoin Law, taxpayers are permitted to remit payment of taxes owed to the Government using Bitcoin. Bitcoin remitted by taxpayers is immediately converted into U.S. dollars at the then prevailing market rate. The U.S. dollars resulting from such conversion are deposited in the Government's treasury.

On November 10, 2022, the President, through Executive Decree No. 49, created the *Oficina Nacional del Bitcoin* (Bitcoin Office) tasked with managing and overseeing all projects related to Bitcoin.

Digital Assets

On January 11, 2023, the Legislative Assembly enacted the Ley de Emisión de Activos Digitales (the "Law on the Issuance of Digital Assets") by means of the Legislative Decree No. 643. The purpose of the Law for the Issuance of Digital Assets is to set the legal framework for the issuance and trading of digital assets in El Salvador, as well as to regulate the requirements and obligations of issuers, service providers of digital assets, and other participants that operate in the market to promote the efficient development of the market of digital assets and protect investors. The digital asset market and its participants are supervised by the National Commission of Digital Assets.

To date, there are 14 digital asset providers registered before the National Commission of Digital Assets. On January 23, 2024, E-GRAINS made the issuance of $ESOY, the first digital assets issued in El Salvador.

PUBLIC SECTOR FINANCES

Overview

Budget Process

El Salvador's Constitution requires that for each fiscal year a general budget be prepared and submitted to the Legislative Assembly for approval. The budget contains estimates of revenues expected to be collected and authorizes expenditures during the fiscal year. State-owned autonomous entities, other than those in the financial public sector, prepare individual budgets that they submit to the Legislative Assembly for approval.

The *Ley Orgánica de Administración Financiera del Estado* (the "Law on the Administration of Public Finances" or "AFI"), a statute enacted in 1995 to regulate several related areas of the Republic's finances, implements the constitutional principles relating to budgetary and financial matters. Pursuant to the AFI, the Republic's non-financial public sector budget consists of the central Government budget, special budgets of decentralized institutions (hospitals, University of El Salvador, Salvadoran Social Security Institute among others), and the budgets of the non-financial autonomous entities (which include CEL, ANDA, CEPA and LNB). The Ministry of Finance prepares the general budget (the "General Budget"), which consists of the budget for the agencies and ministries of the central Government and the budgets for the legislative and judicial branches, by following budgetary policy guidelines approved by the president and the cabinet. The Supreme Court prepares the budget for the judicial branch, which it submits to the Ministry of Finance for inclusion, without modification, in the General Budget.

The Legislative Assembly approves its own budget in consultation with the Executive Branch. Simultaneously with the presentation of the General Budget, the Ministry of Finance submits individual budgets, which are prepared by each non-financial autonomous unit with such modifications as the Ministry of Finance deems appropriate, to the Legislative Assembly. Pursuant to the Constitution, at least 6.0% of the central Government's current revenues contained in the General Budget must be allocated to the judiciary and, pursuant to the *Ley del Fondo de Desarrollo Económico y Social* ("Economic and Social Development Fund Law"), 8.0% of net current revenues must be allocated to municipalities. In 2020, the amount allocated to municipalities increased to 10.0% of net current revenues.

The Ministry of Finance must submit the draft of the General Budget to the Legislative Assembly before September 30 of each year. The Legislative Assembly must approve the General Budget for the non-financial public sector before December 31 of each year. In the event the new budget is not enacted by January 1, the budget for the prior year remains in effect until the Legislative Assembly approves the new budget.

At the end of each fiscal year, the Executive Branch must submit a report on the financial execution of the General Budget to the Legislative Assembly and to the *Corte de Cuentas de la República*, the supervisory entity in charge of overseeing the Republic's public finances.

Fiscal Policy

The Government implements fiscal policies designed to increase its overall tax revenues, while allocating expenditures in order to further its economic and social policies. These include, principally, combating poverty, improving the education system, enhancing security throughout the country, increasing the availability of healthcare, and providing opportunities for job creation in the private sector.

With respect to Government expenditures, the Government's fiscal policies aim to increase expenditures in education including for the provision of free uniforms, nutrition, shoes, and other school packages; reduce overall Government expenditures for subsidies while focusing subsidies for basic services such as liquid petroleum gas, electric energy and public transportation on those sectors of the population most in need of assistance; increase spending on programs designed to enhance security throughout the country, such as the establishment of a rural police force; increase expenditures in the healthcare sector to, among other things, increase the availability of healthcare services throughout the country, principally in rural areas, by eliminating out-of-pocket expenses by those in need of such services. In addition, the Government is implementing an integrated reform to the National Healthcare System based on improving the first level of health attention using a new model of service formed by *Equipos Comunitarios de Salud Familiares y Especializados* (Family and Specialized Health Community Teams).

On November 28, 2018, Legislative Decree No. 188 implemented several reforms to the Fiscal Responsibility Law. As part of the reform, certain fiscal indicators were modified in accordance with the adoption of SNA2008.

Fiscal Policy 2020-2023

The Government's fiscal policy aims to maintain macroeconomic stability by improving methods of tax collection, prioritizing public spending with an emphasis on education, health and public safety, and doing so without negatively impacting other investment projects and the current debt management strategy.

With this in mind, the 2020 fiscal policy was aimed at counteracting the recessionary effects caused by the COVID-19 pandemic. In response to this emergency, the 2020 fiscal policy reallocated resources from the 2020 General Budget, and sought additional external and internal financing, to put towards the remodeling and equipping of the healthcare system, including public hospitals and purchases of vaccines. The 2020 fiscal policy also sought to revitalize the economy by creating lines of credit for micro and small businesses and granting subsidies to businesses, among other measures.

In 2021, the fiscal policy continued to address the economic decline experienced in 2020. The economy registered growth of 11.2%, which was reflected in an improvement in various fiscal indicators. In 2022, in response to the impacts caused by the worldwide increases in fuel and food prices, the Government's fiscal policy sought to address inflation through various measures.

The Government's fiscal policy for 2023 and the medium-term perspectives aim to strengthen public finances which were adversely by the pandemic. The policy also focused on fiscal consolidation, with the main priorities being restoring macroeconomic balance and long-term fiscal sustainability by strengthening tax revenues and reallocating spending to focus on the provision of basic services, including education, health and security, to the general population.

Current Fiscal Policy

Administrative measures have been applied to strengthen and modernize tax and customs administration with aims to reduce tax evasion and smuggling, with a plan in place since October 2019. Other measures include electronic invoicing and providing facilities to taxpayers for fulfilling their tax obligations (tax amnesties).In addition to the above, on the side of public expenditure, measures are being implemented to contain fiscal spending, such as:

- Creation of the Fund for Economic and Social Development of Municipalities: Approved through Legislative Decree No. 204 in November 2021, this fund will be constituted by an annual contribution from the State, equal to one point five percent (1.5%) of the current revenues of the General State Budget. It must be allocated in each fiscal financial year and disbursed monthly.

- Creation of the Directorate of Municipal Works (DOM): Established by Legislative Decree No. 210, the resources allocated for the execution of works aimed at serving municipalities cannot be less than three percent (3%) of the net current revenues of the General Budget. These resources will be transferred from the Ministry of Finance to the General Directorate.

- Approval of Legislative Decree No. 739 - Voluntary Retirement for Pensioners and Retirees: Applicable at all public sector institutions, this decree provides for payment of a benefit to certain employees at retirement equal to the last year's salary multiplied by years worked, up to a maximum limit of twenty-five thousand dollars (US$25,000).

- Special Law for Municipal Restructuring: Approved on June 14, 2023, this law authorizes new territorial divisions for the Republic. El Salvador will continue to be divided into the existing fourteen departments and forty-four municipalities. However, the two hundred sixty-two municipal districts – now known simply as "districts – will be grouped by regions in each of the fourteen departments according to the distribution governed by the Political Regime Law ("*Ley Unica del Regimen Politico*"). The new territorial division will help improve the administration of district budgets by avoiding duplications of functions and optimizing resources

- Promulgation of Legislative Decree No. 614 - Comprehensive Pension System Law: Enacted in December 2022 to administer resources for the payment of benefits to affiliates, covering common risks of old age, disability, and death.

- Approval of Legislative Decree No. 615 - Creation of the Salvadoran Institute of Pensions (ISP): Enacted in December 2022 to ensure the leadership and sustainability of the Pension System.

- Approval of Legislative Decree No. 616 - Special Law for the Issuance of Certificates of Provisional Obligations (COP) and Dissolution of the Trust for Provisional Obligations: Aims to ensure sustainable financing for the fulfillment of pension obligations by the pension unit of the Salvadoran Social Security Institute, the Salvadoran Pensions Institute, and the Pension System.

- Public Procurement Law: Approved by Decree No. 652 on March 2, 2023, with the objective of establishing basic norms that regulate the public procurement cycle.

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.

Non-Financial Public Sector

Consolidated Revenues and Expenditures[(1)]

For the year ended December 31,

	2019	2020	2021	2022	2023[(5)]
	(in millions of US dollars)				
Revenues					
Current revenues[(2)]	6,032.2	5,611.8	7,036.3	7,897.5	8,331.1
Capital revenues	-	-	-	-	
Foreign aid	116.5	127.7	23.2	19.4	20.8
Total Revenues	6,148.7	5,739.6	7,059.5	7,916.9	8,351.9
Expenditures					
Current expenditures	5,768.9	6,787.7	7,389.2	7,592.3	7,688.1
Consumption	3,932.2	4,199.7	4,584.5	4,740.1	5,165.3
Interest	991.1	1,081.4	1,303.7	1,491.5	1,330.5
Transfers	845.7	1,506.6	1,501.0	1,360.7	1,192.3
Capital expenditures	859.1	688.1	985.8	861.6	1,451.5
Gross investment	798.3	636.8	914.6	691.2	1,319.7
Capital transfers	60.8	51.3	71.3	170.3	131.8
Net lending	(0.0)	460	(0.0)	(0.0)	(0.0)
Total expenditures	6,628.1	7,935.8	8,375.0	8,453.8	9,139.5
Current account surplus (deficit)[(3)]	**263.2**	**(1,175.9)**	**(352.9)**	**305.2**	**643.1**
Surplus (deficit) excluding foreign aid	**(595.9)**	**(2,324.0)**	**(1,338.7)**	**(556.3)**	**(808.4)**
Surplus (deficit) including foreign aid	**(479.4)**	**(2,196.3)**	**(1,315.5)**	**(537.0)**	**(787.6)**
External Financing	218.8	1,286.3	795.2	7.9	80.9
Internal Financing[(4)]	260.5	909.9	520.2	533.2	706.7
Current account surplus (deficit)/Nominal GDP	**1.0%**	**(4.7%)**	**(1.2%)**	**1.0%**	**1.9%**
Deficit excluding foreign aid/Nominal GDP	**(2.2%)**	**(9.3%)**	**(4.6%)**	**(1.7%)**	**(2.4%)**
Deficit including foreign aid/Nominal GDP	**(1.8%)**	**(8.8%)**	**(4.5%)**	**(1.7%)**	**(2.3%)**
Nominal GDP[(5)]	26,881	24,921	29,043	31,988.9	34,015.6
Pension reform cost (US$ Million)	**345.5**	**2961.2**	**290.7**	**318.4**	**801.8**
Surplus (deficit) including foreign aid and Pensions	**(824.9)**	**(2,487.5)**	**(1,606.2)**	**(855.3)**	**(1,589.4)**
Surplus (deficit) including foreign aid and Pensions/Nominal GDP	**(3.1%)**	**(10.0%)**	**(5.5%)**	**(2.7%)**	**(4.7%)**

(1) All data is presented on a cash basis.
(2) Gross
(3) Current account figures are equal to current revenues minus current expenditures.
(4) This figure includes pension costs.
(5) Preliminary.

Source: *Ministry of Fnance and Central Bank of El Salvador.*

In 2017, the non-financial public sector, excluding pensions, registered a deficit of US$71.9 million, equivalent to 0.3% of GDP. In 2017, including pension obligations, the fiscal deficit increased to US$632.2 million, or 2.5% of GDP. In 2019, the primary balance reflected a surplus of 0.7% (including pensions) and 2.9% (excluding pensions) of GDP, respectively.

In 2018, the non-financial public sector, excluding pensions, registered a deficit of US$337.8 million, equivalent to 1.3% of GDP, an increase of 1 percentage point compared to 2017. In 2018, including pension obligations, the fiscal deficit increased to US$703.8 million, or 2.7% of GDP. In 2018, the primary balance reflected a surplus of 0.9% (including pensions) and 2.3% (excluding pensions) of GDP, respectively.

In 2019, the non-financial public sector, excluding pensions, registered a deficit of US$479.4 million, equivalent to 1.8% of GDP, an increase of 0.5 percentage points compared to 2018. In 2019, including pension obligations, the fiscal deficit increased to US$824.9 million, or 3.1% of GDP. In 2019, the primary balance reflected a surplus of 0.6% (including pensions) and 1.9% (excluding pensions) of GDP, respectively.

In 2020, the non-financial public sector, excluding pensions, registered a deficit of US$2,196.3 million, equivalent to 8.8% of GDP, an increase of 7.0 percentage points compared to 2019. The increase was mainly due to a decrease in revenues of US$409.1 million (6.7%) and an increase in expenditures of US$1,307.7 million (19.7%) resulting from the economic effects of the COVID-19 pandemic. In 2020, including pension obligations, the fiscal deficit increased to US$2,487.5 million, or 10.0% of GDP. This increase was driven by expenses related to addressing the COVID-19 pandemic. In 2020, the primary balance reflected a deficit of 5.6% (including pensions) and 4.5% (excluding pensions) of GDP, respectively.

In 2021, the non-financial public sector, excluding pensions, registered a deficit of US$1,315.5 million, equivalent to 4.5% of GDP, a decrease of 4.3 percentage points compared to 2020. This improvement in the deficit was mainly due to an increase in revenues of US$1,319.9 million as a result of economic recovery, and a smaller increase in expenses of US$601.5 million. These were the result of the continued economic recovery associated with the post-pandemic period. In 2021, including pension obligations, the fiscal deficit decreased to US$1,606.2 million, or 5.5% of GDP. In 2021, the primary balance reflected a deficit of 1.0% (including pensions) and 0.0% (excluding pensions) of GDP, respectively.

In 2022, the non-financial public sector, excluding pensions, registered a deficit of US$537 million, equivalent to 1.7% of the GDP, a decrease of 2.9 percentage points compared to 2021. In 2022, including pension obligations, the fiscal deficit increased to US$855.3 million, or 2.7% of GDP. In 2022, the primary balance reflected a surplus of 2.0% (including pensions) and 3.0% (excluding pensions) of GDP, respectively.

In 2023, the non-financial public sector, excluding pension obligations, registered a deficit of US$787.6 million, equivalent to 2.3% of GDP, an increase of 0.5 percentage points compared to 2022. In 2023, including pension obligations, the fiscal deficit increased to US$1,589.4 million, or 4.7% of GDP. The increase in the fiscal deficit was mainly due to increases in public investments which totaled US$1,319.7 million, an increase of 91.0% compared to 2022 and equivalent to 3.7% of GDP. In 2023, the primary balance registered a deficit of 0.1% of GDP (including pension obligations) and a surplus of 1.6% of GDP (excluding pension obligations).

Central Government Revenues and Expenditures

Central Government Revenues

The following table shows the composition of the Central Government's revenues and foreign aid for the periods presented.

	Central Government Revenues and Foreign Aid[1] (Millions of dollars) For the year ended December 31,				
	2019	2020	2021	2022	2023[3]
Taxes[2]	(in millions of US dollars)				
Income	1,933.5	1,907.1	2,225.8	2,782.3	2,877.4
Property transfers	28.8	20.7	38.6	46.8	54.0
Imports	232.1	186.8	291.2	318.7	322.1
Consumption of products	192.3	185.0	225.2	225.9	232.0
Use of services					
Value Added Tax (VAT)	2,215.1	2,072.9	2,790.5	3,024.8	3,175.2
Stamp paper					
Other (immigration, tax on cars and others)	25.4	12.4	22.9	24.3	36.8
Special Contributions (FOVIAL)	96.1	83.5	103.9	108.0	46.4
Special Contributions (SUGAR)	1.1	1.1	0.9	1.2	0.8
Special Contributions (TOURISM)	12.5	5.3	11.3	14.3	17.2
Special Contributions (TRANSPORT)	48.3	23.3	48.7	25.2	55.3
Special Contributions (FONAT)					
Special contributions for Security (CESC)	55.0	42.8	0.6	-	
Special contributions Spec. Contrib. Large Taxpay. For Public	73.7	85.1	74.1	-	
Total Tax Revenues	**4,913.7**	**4,625.9**	**5,833.5**	**6,571.7**	**6,781.3**
Non-Tax Revenues	234.5	206.6	230.6	213.3	330.2
1. Property income	6.8	3.5	5.1	0.9	3.8
2. State-owned company profit	17.0	-	3.0	-	-
3. Sale of Public Adm. goods and services	14.6	7.3	10.3	9.5	16.2
4. Rates and duties for public services	61.0	38.7	39.7	51.8	71.4
5. Fines	34.0	23.1	33.5	42.0	43.8
6. Others	101.2	134.1	139.1	109.2	194.9
Total Current Revenue	**5,148.1**	**4,832.5**	**6,064.2**	**6,784.9**	**7,148.2**
Capital Revenues	10.5	14.0	14.4	14.0	4.0
International aid					
A. Sale of Assets					
B. Transfer from:	10.5	14.0	14.4	14.0	4.0
1. SETEFE		0.4			
2. BCR					
3. Rest of the World	10.5	14.0	14.4	14.0	4.0
Total revenues	**5,158.7**	**4,846.9**	**6,078.5**	**6,798.9**	**7,152.2**

[1] All data is presented on a cash basis.
[2] Tax revenues are presented in gross terms.
[3] Preliminary.

Source: *Ministry of Finance*

Taxation and Customs

The main pillars on which the Salvadoran tax system is based are the value added tax ("VAT"), income tax, import duties and consumption taxes. The Salvadoran tax system relies more on the collection of indirect taxes, such as the VAT, than on direct taxes. The Constitution authorizes the levy and collection of taxes by tax authorities at the national level. The central Government collects taxes on personal and corporate income and on transfers of real estate. In addition, it collects import duties and a 13% VAT on tangible assets and services.

The VAT is the largest component of tax revenues and applies to the sale of most tangible goods as well as most services, except those related to education, public transportation and cultural services, among others. The second largest component of tax revenues is the income tax, which is in effect for natural persons and corporations as well as for residents and non-residents who file tax returns in the Republic. A fixed rate of 30.0% is applied to residents and non-resident taxpayers and corporate entities, except for those with an annual income equal to or less than US$150,000, for whom a 25% rate applies. Import duties are the third main component of tax revenues.

In 2019, tax revenues, including Special Contributions, increased to US$4.9 billion, a 3.0% increase compared to 2018. The VAT totaled US$2.2 billion, an increase of 5.3% or US$111.7 million, compared to 2018. Income tax contributed revenues of US$1.9 billion, an increase of US$73.8 million or 4.0% compared to 2018. Income tax represented 39.3% of total tax revenues in 2019.

In 2020, tax revenues, including Special Contributions, decreased to US$4.6 billion, a 5.9% decrease compared to 2019, mainly due to the COVID-19 pandemic, which led to quarantine lockdowns, a reduction in economic activities, and a decrease in levels of international trade. The VAT totaled US$2.1 billion, a reduction of 4.5% or US$100 million, compared to 2019. Income tax contributed revenues of US$1.9 billion, a decrease of US$260 million or 1.3% compared to 2019. Income tax represented 41.8% of total tax revenues in 2020.

In 2021, tax revenues, including Special Contributions, totaled US$5.8 billion, a 26.1% increase compared to 2020, mainly due to the gradual economic recovery observed across all economic sectors during 2021, with notable dynamism in foreign trade and family remittances, as well as the implementation of programs for voluntary compliance with tax and customs obligations. The VAT totaled US$2.8 billion, an increase 34.6% or US$717.6 million, compared to 2020. Income tax contributed revenues of US$2.2 billion, an increase of US$318.8 million or 16.7% compared to 2020. Income tax represented 38.2% of total tax revenues in 2021.

In 2022, tax revenues, including Special Contributions, totaled US$6.6 billion, representing an increase of 12.71% or US$737.6 million compared to 2021, mainly due to growth across most economic sectors, which resulted in overall economic growth of 2.8%, as well as the implementation of programs targeting tax evasion, smuggling and tax amnesty. The VAT totaled US$3.0 billion, an increase 8.4% or US$233.3 million, compared to 2021. Income tax contributed revenues of US$2.9 billion, an increase of US$556.9 million or 25.0% compared to 2021. Income tax represented 42.3% of total tax revenues in 2022.

In 2023, tax revenues, including Special Contributions, totaled US$6,818.7 million, representing an increase of US$246.4 million or 3.8% compared to 2022. This increase was due mainly to increases in collections of VAT and income taxes, which collectively contributed US$6,053.6 million or 88.0% of total tax revenues.

Special Tax on Fuels

An ad-valorem tax is charged on fuels. The tax rate is variable, depending on the international reference price per barrel of oil: less than US$50.0 per barrel = 1% tax; between US$50.0 and US$70.0 = 0.5% tax; and if greater than US$70.0 then no tax is applied. In 2018, US$7.3 million was collected as a result of this tax. In 2019, US$7.9 million was collected from this tax. In 2020, the figure was US$7.3 million; in 2021 it was US$4.5 million and in 2022, no collections were reported (US$0.0). In 2023, the tax on fuels was US$0.5 million.

Special Security Contribution

A special tax on earnings was enacted through Legislative Decree No. 161 dated October 29, 2015 for the purpose of fighting crime (the "Special Security Contribution"). A tax of 5% of the tax base was applied to net earnings in excess of US$500 million. The decree had effect for five years. In 2016, 2017, 2018, 2019, 2020, and 2021, US$7 million, US$66.6 million, US$69.6 million, US$73.7 million, US$85.1, and US$74.1 were collected as result of this tax, respectively. The constitutionality of Legislative Decree No. 161 was challenged, but on August 19, 2019 the Constitutional Chamber of the Supreme Court issued a final resolution finding the decree to be constitutional. This tax expired by its terms and is no longer in effect.

Special Contribution for Citizen Security and Coexistence

A tax for citizen security and coexistence was enacted through Legislative Decree No. 162 dated October 29, 2015 on the procurement and/or use of telecommunications services and on transfers of any type of technological devices, terminals, equipment and accessories. The tax applied to users, importers, and re-sellers of the telecommunication services, among others. The tax rate was 5.0%

and was applied to a specified tax base according to the decree. The decree was in force for five years after its enactment. In 2015, 2016, 2017, 2018, 2019, 2020 and 2021, US$2.0 million, US$48.5 million, US$48.8 million, US$48.4 million, US$55.0 million, US$42.8 million, and US$0.6 million, respectively, had been collected as a result of the tax. This tax expired by its terms and is no longer in effect.

Tax Reforms

In December 2011, a tax reform was enacted which came into effect on January 1, 2012. The tax reform aimed at simplifying the taxation of income of salaried persons by means of a tax withholding mechanism, updating taxation rates, achieving a broader exemption for lower income sectors of the population, maintaining the tax burden on the middle-income sector, establishing a larger tax burden for higher income sectors, and equalizing corporate income taxation to regional standards. Among other measures, the corporate income tax rate was modified for some legal persons to continue to pay a rate of 25% whenever they generate a taxable income up to US$150,000, while those on a higher than that scale of operations pay a 30% tax rate; furthermore, the general rate of tax withholding on gross sales increased from 1.5% to 1.75%.

Article 158 of the Tax Code was amended through Legislative Decree No. 179, dated November 12, 2015, to reduce the percentage of income tax withholding on non-residents for capital markets transactions by lowering the previous 20% rate to a 3.0% rate.

Article 162-A of the Tax Code was amended by means of Legislative Decree No. 627, dated March 9, 2017, to make it possible to credit surplus VAT advance payments to credit cards or debit cards.

Reforms to article 119 of the Tax Code were approved by Legislative Decree No. 191, of November 28, 2018, to improve the provisions on transaction control documents for invoices issued by sellers that are not registered taxpayers.

Article 46 of the VAT Law was amended by Legislative Decree No. 418, dated September 12, 2019, adding subsection (m) to include among the exempt services the provision of drinking water for domestic purposes provided by entities such as drinking water management boards, community drinking water administrators and community development associations, among others.

Legislative Decree No. 487, dated August 30, 2022, contained specific provisions regarding the use by taxpayers of electronic tax documents, leveraging existing technologies within the framework of the Electronic Signature Law. Through that Decree, the Tax Code was reformed to incorporate provisions related to Electronic Tax Documents (DTE), through articles 119-A to 119-H, 141, 147, 173, 175, 180, 181, 199, 206, and 239-A. These provisions apply to taxpayers of the Tax on the Transfer of Movable Property and the Provision of Services who issue the mentioned DTE, as well as to the recipients of these documents.

Pursuant to Legislative Decree No. 960, dated February 28, 2024, the Tax Code was amended to reform certain taxpayer identification requirements to apply to one or any series of related transactions exceeding US$25,000 (or its equivalent in other currencies) that occur on the same day or within 10 consecutive calendar days.

Pursuant to Legislative Decree No. 969, dated March 12, 2024, the *Ley del Impuesto sobre la Renta* (or "Income Tax Law"), was amended to provide that Salvadoran residents outside of the country and citizens of other countries who bring capital to El Salvador, whether for investment or consumption purposes, are exempt from income taxes in El Salvador.

Temporary Tax Amnesty Laws

A temporary law to facilitate voluntary compliance with tax and customs obligations was enacted in October 2017 in order to allow taxpayers who, due to different circumstances, had not fully complied with their tax obligations, to regulate their tax situation with the Treasury of the Republic. The law was extended in 2018. Payments received due to the tax amnesty law totaled US$92.7 million in 2018.

Through Legislative Decree No. 521, dated December 13, 2019, the Government enacted a new temporary tax amnesty law providing procedures for voluntary compliance by taxpayers with tax and customs obligations. The law became effective as of January 2020 for a period of eight months, but was extended through December 31, 2020 by means of Legislative Decree No. 734, dated September 24, 2020. The total yield of Decree No. 521 and its extensions was US$93.3 million.

During the period from October 2021 to July 2022, there was a recovery of payments for tax and customs obligations through the fiscal amnesty outlined in Legislative Decree No. 173, resulting in a collection of US$138.8 million. In August 2022, another fiscal amnesty was approved through Legislative Decree No. 478, and from August 24, 2022 to June 30, 2023, a collection of US$114.5 million had been obtained. There is a reported outstanding balance of authorized payments through resolutions amounting to US$13.1 million.

Through Legislative Decree No. 478, dated August 24, 2022, the Government enacted another temporary amnesty law, providing procedures for voluntary compliance by taxpayers with tax and customs obligations by November 1, 2022. Between 2022 and 2023, approximately US$127.6 million was collected in back taxes as a result thereof.

At the end of November 2023, another tax amnesty was approved through Legislative Decree No. 875, concluding on December 8, 2023. The total amount collected was US$37 million, with approximately US$63 million to be collected in installment plans.

Other Taxes

Through Legislative Decree No. 520, dated October 4, 2022, the Government enacted a new law for the Fire Department of El Salvador, which established a 5% ad-valorem tax on the contracting of all types of insurance sold in the country (excluding insurance related to all types of bank loans), as well as the extension, renewal, or modification of the respective policies.

Agreements

In November 2017, El Salvador ratified the Convention on Compatibility of Internal Taxation Applicable to Trade between the States Parties to the Central American Customs Union. The Convention applies to trade of movable goods and services within the Central American Customs Union.

On October 11, 2018, El Salvador's Legislative Assembly approved the ratification of the OECD-Council of Europe Convention on Mutual Administrative Assistance on Tax Matters.

Customs Reforms

The Government has reformed a number of laws to modernize customs procedures and accommodate its international commitments, especially those contained in the DR-CAFTA. The reforms established the *Dirección General de Aduanas* ("Customs Administration") to oversee the modernization of the customs service and permit the Customs Administration to perform its activities efficiently, focusing on the supervision and control of international trade duties and taxes, simplifying customs procedures, granting more authority to customs officers to review questionable declarations, and ensuring compliance with the rules of origin applicable to goods imported into the Republic. In addition to the Republic's commitments pursuant to the DR-CAFTA, the reforms are also intended to permit the Republic to comply with its other international commitments, such as those under the *Código Arancelario Unificado de Centro America* ("CAUCA") and other international agreements concerning the international trade of goods.

The *Ley de Simplificación Aduanera* ("Law of Customs Simplification") was passed in 2012, which, among other things, created an electronic registry for customs control, created non-intrusive inspection services (X-rays) inside and outside of customs facilities, established a legal definition of criminal activities in the field of customs, authorized a fee of US$18.00 per transaction for the entrance and exit of merchandise to the Republic, simplified processes and procedures for merchandise inspection, and improved surveillance mechanisms for external trade transactions. The Law of Customs Simplification was amended by Legislative Decree No. 34, dated June 14, 2018, in order to encourage the import and export of products and improve the efficiency and speed of import and export procedures. The reform incorporates a simplified procedure for the withdrawal of goods before the final determination of applicable duties or taxes. This new procedure is only applicable in cases specified in agreements, conventions, treaties, or other instruments related to commercial matters.

Fiscal Measures Enacted during the COVID-19 Pandemic

On March 14, 2020, the Legislative Assembly enacted Legislative Decree No. 593 which declared a state of national emergency concerning COVID-19. The Government implemented various protective measures aimed at preserving public health and reducing the negative impact on the economy.

Fiscal Measures in Response to Global Inflation

Through Legislative Decree No. 307, dated March 13, 2022, the Government temporarily suspended the special contribution for the stabilization of fares for collective and mass public passenger transport. Initially set for a period of three months, the suspension was later extended until September 2022.

Through Legislative Decree No. 308, dated March 13, 2022, the Government temporarily suspended the tax related to the Special Fund for Economic Stabilization and Promotion. Initially set for a period of three months, the suspension was later extended until September 2022.

Through Legislative Decree No. 309, dated March 13, 2022, the Government issued a special temporary law to combat inflation in the prices of basic products. This law modified the import tariff (to 0%) for basic basket products and inputs for agricultural production. The decree was in effect until March 31, 2023.

Through Legislative Decree No. 321, dated March 22, 2022, the Government temporarily reduced the VAT rate on fuels to: 4.75% for premium gasoline, 5.00% for regular gasoline, and 1.75% for diesel. The decree was in effect until April 4, 2022.

Through Legislative Decree No. 345, dated April 4, 2022, the Government set maximum fuel prices and approved a subsidy to cover the difference between the maximum prices set by the decree and market prices. Fuel importers can use the difference in the two prices as a credit in any tax or customs obligation. The decree was in effect until the end of 2022.

Central Government Expenditures

The following table shows central Government expenditures for the specified periods.

	Central Government Expenditures[1] For the year ended December 31,				
	2019	**2020**	**2021**	**2021**	**2023[5]**
	(in millions of US dollars, except percentages)				
Education	1,018.1	1,003.5	1,329.5	1,371.1	1,165.3
Public Health	663.6	802.5	1,014.5	1,127.9	1,008.1
Justice and Public Security	486.6	554.9	626.9	693.3	645.1
Judiciary Branch	260.6	271.9	293.6	329.1	337.5
National Defense	194.7	223.9	257.0	282.5	293.0
Presidency	102.7	78.5	99.9	183.5	95.4
Finance [2][3]	101.4	93.6	144.9	133.1	118.5
Economy	126.3	107.7	172.3	192.0	47.4
Agriculture and Livestock	73.5	97.2	103.8	127.0	129.6
Legislative Branch	59.1	57.9	56.3	56.7	54.2
Foreign Affairs	45.4	40.9	45.5	52.9	62.2
Attorney General	69.4	68.4	75.6	93.9	110.9
Court of Accounts	42.3	41.1	43.7	45.3	47.8
General Prosecutor	29.9	32.4	38.0	36.4	40.1
Culture	21.4	20.9	26.3	25.6	37.0
Governance (Public Security)	74.2	128.3	173.8	190.4	203.0
Supreme Electoral Tribunal	18.5	18.1	23.3	20.9	11.1
Housing and Urban development	0.0	5.0	12.5	13.8	13.4
Local development	0.0	6.5	9.0	35.7	31.0
Labor and Social Security	17.7	17.3	17.5	18.3	16.6
Defense of Human Rights	9.8	10.2	11.0	12.3	12.3
National Council of Judiciary	6.4	6.0	6.0	7.0	6.4
Government Ethics Tribunal	2.6	2.4	2.8	2.9	2.7
Institute of Access to Public Information	1.7	1.7	2.0	2.4	2.5
Civil Service Tribunal	0.9	1.0	1.0	1.0	1.3
Public Works	302.3	257.5	441.9	374.8	359.5
Environmental	15.0	12.4	13.7	13.6	18.1
Tourism	26.8	19.9	19.9	23.3	34.2
Public Treasury [2]	**2,821.1**	**3,756.5**	**2,926.3**	**3,503.2**	**3,417.9**
Interests	1,829.2	1,066.8	1,220.6	1,947.2	2,259.8
Transfers	**991.9**	**2,689.7**	**1,705.7**	**1,556.0**	**1,158.1**
General Obligations	95.4	87.6	345.7	198.1	214.8
Other Transfers	896.5	2,602.1	1,360.0	1,357.9	943.3
Total Central Government Expenditures/Nominal GDP	**$6,592.0**	**7,738.1**	**7,988.5**	**8,969.9**	**8,321.9**
Central Government Expenditures/Nominal GDP	**24.5%**	**31.1%**	**27.5%**	**28.0%**	**24.5%**
PIB	26,881.1	24,921.2	29,043.1	31,988.9	34,015.6

[1] All data is presented on a cash basis
[2] Includes operating expenditures of the Ministry of Finance
[3] Excludes amortizations
[4] Excludes pension debt and capital debt repayments
[5] Preliminary

Source: *Ministry of Finance*

Expenses related to social objectives, including health, education, justice, and public safety, totaled; US$2,168.3 million in 2019; US$2,360.9 million in 2020; US$2,970.9 million in 2021; and US$3,192.3 million in 2022, as of December 31, 2023, these expenses totaled US$2,818.5 million.

Central Government Budget

The 2020 budget for the Central Government was presented to the Legislative Assembly on September 28, 2019 and enacted on December 13, 2019 for a total amount of US$6,426.1 million, a decrease of US$287.1 million, or 4.3%, compared to the 2019 budget. The non-financial public sector's deficit in the 2020 budget was contemplated at US$850 million, or 3.1% of GDP. However, the Republic had to adjust the 2020 budget to meet the needs of the COVID-19 pandemic. See "—COVID-19" for details about budgetary reallocations in 2020.

The 2021 budget for the Central Government was presented to the Legislative Assembly on September 30, 2020 for a total amount of US$7,453.5 million, an increase of US$1,027.4 million, or 16.0% compared to the initial 2020 budget and prioritized the education, health, security, infrastructure and agriculture sectors.

The 2022 budget for the Central Government was presented to the Legislative Assembly on September 30, 2021 for a total amount of US$7,967.7 million, an increase of US$544.1 million, or 7.3% compared to the initial 2021 budget and prioritized education, health, security, defense, and infrastructure. The budget deficit was US$498.4 million, US$815.2 million lower than in 2021, representing a reduction of 62.0%.

The 2023 budget for the Central Government was presented to the Legislative Assembly on September 30, 2022 for a total amount of US$8.902.7 million, an increase of US$935.0 million, or 11.7% compared to the initial 2022 budget and prioritized education, health, security, defense, and infrastructure. The deficit in the 2023 budget was US$472.4 million, which was US$26.0 million less than the budget deficit in 2022, or a decrease equivalent to 5.2%.

The 2024 budget for the Central Government was presented to the Legislative Assembly on September 30, 2023 for a total amount of US$9,068.7 million, an increase of US$166.0 million or 1.9% compared to the initial 2023 budget. The 2024 budget prioritizes spending in education, health, security and infrastructure. The deficit in the 2024 budget is US$338.6 million, which is US$133.8 million less than in the 2023 budget, representing a decrease equivalent to 28.3%. The key assumptions on which the 2024 budget is based include real GDP growth of 2.4%, nominal GDP growth of US$35,059.0 million and an inflation rate of 2.4%. The 2024 budget was approved on December 21, 2023, pursuant to Legislative Decree No. 911.

PUBLIC DEBT

General

Public sector debt, including internal and external debt of the financial and non-financial public sector and the external Central Bank debt balance, totaled US$19,704.1 million on December 31, 2023, compared to US$24,960.5 million on December 31, 2022, US$23,975.7 million on December 31, 2021, US$22,326.0 million on December 31, 2020, and US$19,526.3 million on December 31, 2019. As of December 2023, public sector debt was 100% denominated in US dollars.

Total Public Debt
As of December 31,

	2019[1]	2020[1]	2021[1]	2022[1]	2023
	(in millions of US dollars and % of GDP)				
External Debt	$11,180.7	$12,734.0	$13,539.4	$13,364.3	$13,497.4
Internal Debt	8,345.6	9,592.0	10,436.3	11,596.2	6,206.7
Total	19,526.3	22,326.0	23,975.7	24,960.5	19,704.1
GDP	26,881.1	24,921.2	29,043.1	31,988.9	34,015.6
Debt/GDP (%)	72.6	89.6	82.6	78.0	57.9

(1) Includes Trust Funds: from 2019 to 2022 FOP Serie A.

Source: Ministry of Finance and Central Bank of El Salvador.

Under the Constitution, the Legislative 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 Legislative Assembly enacted the *Ley Orgánica de Administración Financiera del Estado* ("AFI") law, which governs, among other matters, the procedures that must be observed in all matters regarding public debt. AFI rules concerning public debt apply to all state-owned entities, with the exception of the Central Bank and the state-owned financial institutions, as well as to obligations of the municipalities guaranteed by the national Government. The Central Bank and the state-owned financial institutions are subject to restrictions in their respective charters regarding the issuance of debt. They are also subject to the AFI if they issue obligations guaranteed by the Republic. The Constitution requires that public debt must be approved by a two-thirds vote of the Legislative Assembly.

Because all AFI-governed public debt must comply with the public indebtedness policies adopted by the executive branch, a non-financial public sector entity must obtain the prior written approval of the Ministry of Finance before entering into any negotiations with respect to borrowing. Any contract executed by such entities without the approval of the Ministry of Finance is null and void and unenforceable and may give rise to civil and criminal liability for the individuals involved. Once approval of the Ministry of Finance is obtained, the entity may proceed to negotiate the terms and conditions of the obligations to be incurred, provided that its own charter gives it the authority to conduct such negotiations on its own behalf; otherwise, the Ministry of Finance conducts the negotiations in the case of transactions with multilateral and bilateral international lenders. Loan proceeds are disbursed to the Government which, in turn, transfers such proceeds to the ultimate borrower pursuant to an agreement between the Ministry of Finance and such entity.

Although public debt service is the primary responsibility of the entity for whose benefit the loan was received, AFI-governed debt 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.

Internal Debt

The Government's internal debt consists of obligations to both public sector and private entities. Although the Central Bank is not permitted to finance the Government pursuant to its charter, this restriction did not become effective until 1994. Prior to 1994, the Central Bank had extensively financed Government operations. On December 31, 2023, the outstanding principal balance of obligations related to such activity totaled US$1,073.3 million. Since 2001, as a result of the Monetary Integration Act, all issuances and amortizations of existing public sector internal debt are made in U.S. dollars.

The public sector's internal debt, excluding the Central Bank, was US$6,206.7 million as of December 31, 2023 compared to US$11,596.2 as of December 31, 2022, US$10,436.3 million as of December 31, 2021, US$9,592.0 million as of December 31, 2020, and US$8,345.6 million as of December 31, 2019.

The following table sets forth the public sector internal debt for the periods presented:

Public Sector Internal Debt
As of December 31,

	2019	2020	2021	2022[1]	2023[1]
	(in millions of US dollars, except percentage)				
Central Government	2,493.9	3,502.9	4,101.7	4,801.4	5,581.2
Public non-financial entities	307.2	289.9	315.6	404.1	462.7

	2019	2020	2021	2022	2023
Public financial entities[2]	5,544.5	5,799.2	6,019.0	6,390.7	162.8
Total	8,345.6	9,592.0	10,436.3	11,596.2	6,206.7
Internal public debt as a percentage of nominal GDP[1]	31.0%	38.5%	35.9%	36.3%	18.2%

Exclude direct debt of Municipalities without Government guarantee.
[1] Preliminary.
[2] Includes Trust Funds: From 2019 to 2022 FOP Serie A

Source: *Ministry of Finance and Central Bank of El Salvador*.

The Central Government's internal debt increased from US$2,493.9 million as of December 31, 2019 to US$5,581.2 million as of December 31, 2023, mainly due to the increase of LETES and *Certificados de la Tesoro* ("CETES") issued by the Government, and the issuances of internal bonds sold on the Salvadoran Stock Exchange mainly for budgetary support.

LETES

The Ministry of Finance is authorized to issue *Las Letras del Tesoro* ("LETES") to finance temporary revenue shortages. LETES, which are U.S. dollar-denominated instruments, are sold on the Salvadoran stock exchange at discounts and reflect market conditions at the time of issuance. The maximum maturity of LETES is 360 days. As of December 31, 2023, US$1,300.4 million in aggregate principal amount of LETES were outstanding.

Internal Debt Liability Management Transactions

At the request of local financial institutions, in 2023 the Republic carried out liability management transactions designed to reprofile its short-term internal debt (CETES and LETES) in an aggregate principal amount of US$1,400 million. The short-term instruments will be refinanced at their maturity with new internal debt instruments with maturities between two and seven years. The liability management plan includes an amortization plan of approximately 32.5% of the instruments with five-year maturities and approximately 87.7% of the instruments with seven-year maturities, which will enable the Republic to further improve its internal debt profile over the life of the instruments. This internal debt liability management initiative allowed for a reduction of approximately US$301 million in principal repayments at the targeted maturities.

External Debt

External debt obligations of El Salvador are to multilateral organizations, bilateral institutions and commercial lenders, as well as investors in the international capital markets.

The *Banco Central de Reserva* ("BCR")'s external debt as of December 31, 2023 was US$6.9 million, compared to US$86.0 million as of December 31, 2022. The reduction in external debt is mainly due to two payments made by the BCR to the CABEI in December 2022 and March 2023.

The following table sets forth total public external debt for the periods presented:

	Public Sector External Debt As of December 31,				
	2019	2020	2021	2022[1]	2023[1]
	(in millions of US dollars, except percentages)				
Central Government	$10,239.8	$11,733.4	$12,536.3	$12,346.7	$12,255.7
Public financial and non-financial entities	830.6	832.9	861.3	931.6	1,234.8
Sub-total..	11,070.4	12,566.3	13,397.6	13,278.3	13,490.5
Central Bank	110.3	167.7	141.8	86.0	6.9
Total..	$11,180.7	$12,734.0	$13,539.4	$13,364.3	$13,497.4
External public debt as a percentage of nominal GDP [1]	41.6%	51.1%	46.6%	41.8%	39.7%

(1) Preliminary figures

Source: *Ministry of Finance and Central Bank of El Salvador*.

The following table shows the composition of the Republic's external public debt by type of creditor for the periods presented:

	Public Sector External Debt by Type of Creditor As of December 31,				
	2019	2020	2021	2022(1)	2023(1)
	(in millions of US dollars)				
Central Government and public financial and non-financial entities	$11,070.4	$12,566.3	$13,397.6	$13,278.3	$13,490.5
Multilateral	4,041.3	4,503.3	5,315.5	5,893.9	6,671.1
Bilateral	361.0	404.9	394.0	374.3	403.4
Commercial	6,668.1	7,658.1	7,688.1	7,010.1	6,416.0
Central Bank and Notes	110.3	167.7	141.8	86.0	6.9
Multilateral	110.3	167.7	141.8	86.0	6.9
Bilateral	0.0	0.0	0.0	0.0	0.0
Commercial	0.0	0.0	0.0	0.0	0.0
Total Public Sector	$11,180.7	$12,734.0	$13,539.4	$13,364.3	$13,497.4
As a Percentage of GDP	41.6%	51.1%	46.6%	41.8%	39.7%

(1) Preliminary figures

Source: *Ministry of Finance and Central Bank of El Salvador.*

The increases in multilateral debt of the Central Government and public financial and non-financial entities from December 31, 2019 to December 31, 2023 were mainly due to the impact of the disbursement of loans for strategic projects and budgetary support, including the disbursements of US$200.0 million from a CABEI loan. As of December 31, 2023, the multilateral debt of the Central Government and public financial and non-financial entities totaled US$6,671.1 million, increasing by US$777.2 million compared to December 31, 2022, mainly due to the impact of the disbursement of loans for strategic projects and budgetary support.

In 2023, total disbursements to the non-financial public sector were US$1,129.6 million, oriented toward public works including public road infrastructure, public health, education, justice and public security, agriculture, environment, support to the tourism sector, rural water and sanitation, and budgetary support.

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, 2023	
	Amount	Percentage
	(in millions of US dollars, except percentages)	
Fixed Rate		
0-3%	$568.0	4.2%
3-6%	1,151.7	8.5%
6-9%	4,947.9	36.7%
> 9%	1,000.0	7.4%
Floating Rate	5,829.8	43.2%
Total	$13,497.4	100.0%

Source: *Ministry of Finance and Central Bank of El Salvador*.

As of December 31, 2023, the amounts of fixed-rate external debt of the public sector were as follows: the amount of debt with rates equal to or less than 3% was US$568.0 million, representing 4.2% of the total; external debt with rates between 3% and 6% was US$1,151.7 million, representing 8.5% of the total; external debt with rates between 6% and 9% was US$4,947.9 million, representing 36.7% of the total; and more than 9% was US$1,000 million, equivalent to 7.4% of the total. The amount of variable-rate debt amounted to US$5,829.8 equivalent to 43.2% of the total.

The following tables set forth scheduled debt service for the Republic's total public external debt for the periods presented:

Public Sector External Debt Service Maturity 2024 - 2034[1]
For the Year Ended December 31,

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
						(in millions of US dollars)					
Central Government	$1,418.4	$1,548.6	$1,090.9	$1,893.1	$1,012.3	$1,539.2	$880.6	$839.6	$1,294.6	$755.1	$1,026.2
Principal	629.9	799.7	369.6	1,215.0	378.4	949.4	334.0	309.7	800.9	298.1	584.9
Interest	788.5	748.9	721.3	678.1	633.9	589.8	546.6	529.9	493.6	456.9	441.3
Rest of Public Sector	140.3	197.2	195.6	186.7	110.0	90.8	82.9	79.2	75.6	71.2	62.8
Principal	60.9	124.8	134.1	136.3	68.2	53.4	49.3	49.3	49.3	48.7	43.9
Interest	79.4	72.4	61.5	50.4	41.8	37.4	33.6	29.9	26.3	22.5	18.9
Total Debt Service	$1,558.7	$1,745.8	$1,286.5	$2,079.7	$1,122.3	$1,630.0	$963.5	$918.8	$1,370.2	$826.3	$1,088.9

(1) Medium-and Long-Term debt, with disbursements as of December 31, 2023, excluding Central Bank´s debt service.

Source: *Ministry of Finance*

Public Sector External Debt Service 2035 - 2045[1]
For the Year Ended December 31,

	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
					(in millions of US dollars)						
Central Government	$1,655.2	$587.2	$567.8	$527.4	$468.6	$426.3	$1,003.3	$343.0	$211.4	$193.2	$186.6
Principal	1,289.6	274.9	270.5	244.8	199.0	168.2	780.7	158.1	35.0	18.4	12.5
Interest	365.6	312.3	297.3	282.6	269.5	258.1	222.6	184.9	176.4	174.8	174.1
Rest of Public Sector	59.4	52.7	45.7	26.5	25.6	21.1	17.8	16.8	16.0	15.2	14.4
Principal	43.9	40.5	36.7	19.2	19.2	15.6	13.1	12.9	12.9	12.9	12.9
Interest	15.5	12.2	9.1	7.3	6.4	5.5	4.7	3.9	3.1	2.3	1.5
Total Debt Service	$1,714.6	$639.9	$613.5	$553.9	$494.2	$447.5	$1,021.0	$359.8	$227.4	$208.4	$201.0

(1) Medium-and Long-Term debt, with disbursements as of December 31, 2023, excluding Central Bank´s debt service.

Source: *Ministry of Finance*

Public Sector External Debt Service Maturity 2046 - 2053[1]
For the Year Ended December 31,

	2046	2047	2048	2049	2050	2051	2052	2053
				(in millions of US dollars)				
Central Government	$183.0	$182.3	$189.1	$178.1	$1,235.6	$98.7	$1,097.3	$1.9
Principal	9.2	8.9	15.8	4.8	1,101.4	3.7	1,002.3	1.9
Interest	173.7	173.5	173.3	173.2	134.1	95.0	95.0	0.0
Rest of Public Sector	13.2	2.1	0.4	0.0	0.0	0.0	0.0	0.0
Principal	12.4	2.0	0.4					
Interest	0.7	0.1	0.0					
Total Debt Service	$196.1	$184.4	$189.5	$178.1	$1,235.6	$98.7	$1,097.3	$1.9

(1) Medium-and Long-Term debt, with disbursements as of December 31, 2023, excluding Central Bank´s debt service.

Source: *Ministry of Finance*

External Debt Liability Management Transactions

In September 2022, the Republic carried out a liability management transaction pursuant to which it repurchased approximately US$563.6 million in aggregate principal amount of its 7.75% Notes due 2023 (the "2023 Notes") and its 5.875% Notes due 2025 (the "2025 Notes") for an aggregate purchase price of approximately US$360.0 million. This transaction had participation rates of approximately 22.4% and 54.1% for the 2023 Notes and the 2025 Notes, respectively. The Republic accepted approximately 74.1% and 100.0% of the tendered 2023 Notes and 2025 Notes, respectively.

Additionally, in November 2022, the Republic carried out a second liability management transaction pursuant to which it repurchased US$82.3 million in aggregate principal amount of its 2023 Notes and 2025 Notes for an aggregate purchase price of US$74.0 million. As a result of these transactions, the Republic reduced the outstanding principal amount of its short- and medium-term external debt from US$1,600.0 million to US$952.0 million. This transaction had participation rates of approximately 11.4% and 5.3% for the 2023 Notes and the 2025 Notes, respectively. The Republic accepted approximately 82.7% and 100.0% of the tendered 2023 Notes and 2025 Notes, respectively.

Debt Record

Since 1993, El Salvador has not rescheduled any external loans and has not defaulted on any of its external indebtedness. During the civil war, El Salvador was unable to service a portion of its international debt. Between 1990 and 1993, El Salvador successfully negotiated the rescheduling of certain loans totaling US$382.5 million and forgiveness of certain other obligations with some of its international creditors. In 1993, the U.S. Agency for International Development, upon its own initiative, forgave US$463.9 million of the Republic's outstanding debt and Canada converted 8.1 million Canadian Dollars of outstanding debt to an obligation of the Government to use amounts that would have been applied to service this debt for environmental projects. In 1999, the Government of France, upon its own initiative, forgave 133.0 million French Francs of the country's outstanding debt. The funds previously allocated to repay El Salvador's outstanding debt to France have been reallocated to establish the *Fondo Franco-Salvadoreño*, a fund that provides financing for infrastructure projects. In 2006, with the Government of Spain, US$10 million of outstanding debt was reallocated to finance projects in the education sector, and in 2009, with the Government of the Federal Republic of Germany, €10.0 million of outstanding debt was reallocated to finance development projects in selected municipalities of El Salvador and €10 million more were reallocated in 2012 to finance projects to improve the quality of life in selected urban neighborhoods. In February 2019, an additional €10 million of outstanding debt was reallocated to improve the medical infrastructure of the Ministry of Health.

The budget for fiscal year 2017 presented by the Government to the Legislative Assembly on September 30, 2016 did not include payment of US$38.4 million in interest or US$18.3 million in principal with respect to CIPs Series A and Series B maturing between April 7 and April 20, 2017. The opposition parties in the Legislative Assembly and the Government did not reach consensus on budget allocation to pay the aforementioned amounts until April 21, 2017, and as a result, these payments were only made on April 28, 2017. The foregoing default did not result in acceleration of the CIPs, the exercise of any remedies by the trustee on behalf of the holders of the CIPs, nor any cross-default or acceleration under any other indebtedness of the Republic. Since April 28, 2017, the Republic has timely met all of its payment obligations under the CIPs and other indebtedness. See "Risk Factors - Inability to reach an agreement among the several political parties in El Salvador could have a material adverse effect on the economy and on the ability of the Republic to make payments on the Notes."

Arbitration

The Republic is defending active and ongoing arbitration process at the International Centre for Settlement of Investment Disputes ("ICSID") brought by HSBC Latin American Holdings seeking damages in the amount of US$49.3 million.

DESCRIPTION OF THE NOTES

References in this section to the Notes are to the Republic's (i) US$ 1,000,000,000 aggregate principal amount of its 9.250% Notes due 2030 (the "2030 Notes") and (ii) Macro Variable Interest Only Step-Up Notes (the "Interest Only Notes").

This section of this offering circular is intended to be an overview of the material provisions of the Notes and the Indentures (as defined below) governing the 2030 Notes and the Interest Only Notes. Because this section is only a summary, it does not contain all the information that may be important to you as a potential investor in the Notes. You are urged to read each Indenture for a complete description of the Republic's obligations and your rights as a holder of any of the Notes. Copies of the indentures governing the 2030 Notes and the Interest Only Notes are available free of charge at the offices of the Trustee.

The 2030 Notes will be issued pursuant to a trust indenture, dated as of February 28, 2017 (the "2017 Indenture"), among the Republic, The Bank of New York Mellon, as trustee (the "Trustee"), principal paying agent ("Principal Paying Agent"), transfer agent ("Transfer Agent") and registrar (the "Registrar").

The Interest Only Notes will be issued pursuant to a trust indenture, to be dated as of the issue date (the "Interest Only Notes Indenture" and, together with the 2017 Indenture, the "Indentures"), among the Republic, the Trustee, Principal Paying Agent, Transfer Agent and the Registrar (as defined in the Interest Only Notes Indenture).

You can find the definition of certain capitalized terms in this section under "—Certain Definitions."

General Terms of the 2030 Notes

The 2030 Notes will:

- initially be issued on April 17, 2024, in an aggregate principal amount of US$1,000,000,000 ;
- be payable in three installments (i) 33% of the original principal amount on April 17, 2028 (the " 2030 Notes First Principal Payment Date"), (ii) 33% of the original principal amount on April 17, 2029 (the " 2030 Notes Second Principal Payment Date"), and (ii) the remaining principal amount on April 17, 2030 (the "2030 Notes Maturity Date");
- bear interest from, and including, April 17, 2024, to, but excluding, April 17, 2030, at a rate of 9.250% per annum on the principal amount thereof, payable semi-annually in arrears on April 17 and on October 17 of each year, commencing on October 17, 2024. Interest on the Notes will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each;
- pay interest to persons in whose names the 2030 Notes are registered at the close of business on April 2 or October 2, as the case may be, preceding each payment date;
- be represented by global securities in fully registered form only, without coupons;
- be registered in the name of the nominee of The Depository Trust Company, known as DTC, and recorded on, and transferred through, the records maintained by DTC and its participants, including the depositaries for Euroclear Bank SA/NV, as operator of the Euroclear System plc ("Euroclear"), and Clearstream Banking, S.A. ("Clearstream, Luxembourg");
- be available in definitive, certificated form only under certain limited circumstances; and
- be subject to optional redemption prior to their scheduled maturity as described under " - Optional Redemption—Optional Redemption of the 2030 Notes."

General Terms of the Interest Only Notes

The Interest Only Notes will:

- initially be issued on April 17, 2024;

- have a reference notional amount (the "Reference Notional Amount") in an initial amount of US$1,000,000,000. The Reference Notional Amount shall be reduced by (i) 33% of the original Reference Notional Amount on April 17, 2028 (if an aggregate principal amount of 2030 Notes equal to 33% of the original aggregate principal amount of the 2030 Notes are repaid on such date or the 2030 Notes were fully purchased by the Republic) and (ii) 33% of the original Reference Notional Amount on April 17, 2029(if an aggregate principal amount of 2030 Notes equal to 33% of the original aggregate principal amount of the 2030 Notes are repaid on such date or the 2030 Notes were fully purchased by the Republic);

- pay interest only, accruing with respect to the Reference Notional Amount, with the last interest payment due on April 17, 2030 (the "Interest Only Notes Last Interest Payment Date"); holders of the Interest Only Notes will not be entitled to payment of the Reference Notional Amount;

- bear interest for each 6-month interest period (i) from, and including, April 17, 2024 to, but excluding, October 17, 2025 (each, an "Interest Only Notes Initial Interest Period"), at an initial rate of 0.25% per annum (the "Interest Only Notes Initial Rate") and (ii) from, and including, October 17, 2025 to, but excluding, the Interest Only Notes Last Interest Payment Date (each, an "Interest Only Notes Subsequent Interest Period"), at a rate of 0.25% or 4% per annum depending on the Republic's satisfaction (or failure to satisfy) the Macro Test (as defined below); interest on the Interest Only Notes shall be payable semi-annually in arrears on April 17 and on October 17 of each year, commencing on October 17, 2024; interest on the Interest Only Notes will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each;

- beginning with the interest period from and including October 17, 2025 to, but excluding, April 17, 2026 (the "Interest Only Notes First Macro Test Period") and for each interest period thereafter until the 6-month interest period from and including October 17, 2029, to, but excluding, the Interest Only Notes Last Interest Payment Date (the "Interest Only Notes Last Macro Test Period"), (i) if the Macro Test is satisfied by the Republic on the date that is 10 Business Days prior to the beginning of such interest period (the "Measurement Date"), the interest rate on the Reference Notional Amount of the Interest Only Notes payable for such interest period shall be 0.25% and (ii) if the Macro Test for such interest period is not satisfied by the Republic on the applicable Measurement Date, the interest rate on the Reference Notional Amount of the Interest Only Notes payable for such interest period shall be 4%;

- include a macro test (the "Macro Test"), which shall consist of the satisfaction by the Republic of either (i) the IMF Condition (as defined below) or (ii) the Ratings Condition (as defined below) on the applicable Measurement Date; the Republic will perform the Macro Test on the applicable Measurement Date for each interest period beginning with the Interest Only Notes First Macro Test Period and for each interest period thereafter until the Interest Only Notes Last Macro Test Period, irrespective of whether the Republic has satisfied or failed to satisfy the Macro Test on any prior Measurement Date;

    - The IMF Condition consists of the Executive Board of the International Monetary Fund (the "IMF") having completed at least one review, or granted approval, of an IMF Stand-by Arrangement (SBA) or Extended Fund Facility (EFF) for the Republic during the six (6) months prior to the applicable Measurement Date.

    - The Ratings Condition consists of at least two of (i) Moody's Investors Service Inc. ("Moody's"), (ii) Standard & Poor's Ratings Group ("S&P), and (iii) Fitch Ratings ("Fitch" and together with Moody's and S&P, the "Rating Agencies"), assigning a rating to the long-term foreign currency senior unsecured external debt of the Republic of at least B2 in the case of Moody's, B in the case of S&P and B in the case of Fitch (without regard for any ratings watch or outlook) as of the applicable Measurement Date.

  Within five (5) Business Days following each Measurement Date, the Republic shall send a certificate signed by the Minister of Finance of the Republic to the Trustee and, so long as the Interest Only Notes are listed on the Luxembourg Stock Exchange, the Republic will publish a notice to holders of the Interest Only Notes on the website of the Luxembourg Stock Exchange, certifying that the Republic has satisfied or has failed to satisfy, as the case may be, the Macro Test on the applicable Measurement Date, and stating the applicable interest rate for the following 6-month interest period. The Trustee will have no obligation to verify or otherwise monitor the Republic's compliance, or failure to comply, with any Macro Test. The Trustee shall conclusively rely upon the certificate provided by the Ministry of Finance of the Republic;

- if the Republic fails to make an interest payment on the Interest Only Notes, accrue interest on the unpaid interest (i.e., interest on interest) at the interest rate applicable to the 2030 Notes. Furthermore, if the Interest Only Notes have not been paid in full on the Last Interest Payment Date, then for each subsequent interest period until the Interest Only

Notes have been paid in full, the Interest Only Notes will bear interest at a rate of 4.00% per annum and such amounts, if unpaid, will bear interest on interest at the interest rate applicable to the 2030 Notes;

- pay interest to persons in whose names the Interest Only Notes are registered at the close of business on April 2 or October 2, as the case may be, preceding each payment date;
- be represented by one or more global securities in fully registered form only, without coupons;
- be registered in the name of the nominee of DTC, and recorded on, and transferred through, the records maintained by DTC and its participants, including the depositaries for Euroclear and Clearstream, Luxembourg;
- be available in definitive, certificated form only under certain limited circumstances; and
- be subject to optional redemption prior to their scheduled maturity as described under " - Optional Redemption—Optional Redemption of the Interest Only Notes."

Ranking

The Notes will constitute direct, general, unconditional, unsubordinated and unsecured Indebtedness (as defined below) of the Republic and will rank equally, without any preference among themselves, with all other unsecured and unsubordinated obligations of the Republic, present or future, constituting Public External Indebtedness (as defined below) of the Republic. The Republic has pledged its full faith and credit for the due and punctual payment of all amounts due in respect of the Notes. It is understood that this provision will not be construed so as to require the Republic to make payments under any series of the Notes ratably with payments being made under any other Public External Indebtedness.

Form, Denomination and Title

The Notes will be issued in US dollars, in fully registered form, in denominations of US$150,000 principal amount or notional amount, as the case may be, or any amount in excess thereof, which is an integral multiple of US$1,000. The Notes, and the transfer thereof, shall be registered as provided in the Indentures. As used herein, "holder," in relation to a Note, means the person in whose name a Note is registered. A person in whose name a Note is registered will, to the fullest extent permitted by law, be treated at all times, by all persons and for all purposes as the absolute owner of such Note regardless of any notice of ownership, theft or loss or of any writing thereon.

The Notes, and transfer thereof, will be registered as provided in "—Replacement, Exchange and Transfer" below and in the Indentures.

Notes sold to qualified institutional buyers in reliance on Rule 144A of the Securities Act of 1933, as amended (the "Securities Act") will be represented by one or more restricted permanent global Notes, each in registered form without interest coupons (the "Rule 144A Global Note") and will be deposited with the Registrar, as custodian for DTC, and registered in the name of a nominee of DTC.

Notes sold in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act will be represented by one or more, unrestricted, permanent global Notes in registered form without interest coupons (the "Regulation S Global Note" and, together with the Rule 144A Global Note, the "Global Notes") and will be deposited with the Registrar, as custodian for DTC, and registered in the name of a nominee of DTC.

Owners of beneficial interests in the Global Notes will not be entitled to receive individual definitive Notes in registered form (the "Definitive Notes" and, together with the Global Notes, the "Notes") unless (i) DTC notifies the Republic that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Global Notes or ceases to be a "clearing agency" registered under the U.S. Securities Exchange Act of 1934, as amended, or if at any time it is no longer eligible to act as such, and the Republic is unable to appoint a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC, (ii) the Republic, at its option, elects to terminate the book-entry system through DTC with respect to the Global Notes, or (iii) after the occurrence of an Event of Default (as defined below), holders of beneficial interests in the Global Notes representing not less than a majority of the aggregate principal amount of the Global Notes outstanding advise the Trustee, through DTC in writing, that the continuation of a book-entry system through DTC (or a successor thereof) with respect to the Global Notes is no longer in such holders' best interest, and the Trustee shall notify all holders of beneficial interests of the Global Notes through DTC of the availability of Definitive Notes.

The Notes will not be issued in bearer form. The rights in respect of each Note issued to DTC and registered in the name of its nominee will be those of the registered nominee. Accordingly, each person having a beneficial interest in such Note must rely on the procedures of the institutions having accounts with DTC to exercise any rights of such person. As long as Notes are held through DTC's book-entry settlement system, ownership of beneficial interests in such Note will (unless otherwise required by applicable law) be shown on, and transfers of such beneficial interests may be effected only through, records maintained by (i) DTC or its registered nominee or (ii) institutions having accounts with DTC (including, without limitation, Euroclear and Clearstream, Luxembourg). Beneficial interests in the Global Notes may be held in denominations of U.S.$150,000 principal amount or notional amount, as the case may be, and integral multiples of US$1,000 in excess thereof.

Replacement, Exchange and Transfer

If any Note shall become mutilated or defaced or be destroyed, lost or stolen, the Trustee shall, subject to having received the prior approval of the Republic (such approval not to be unreasonably withheld), authenticate and deliver a new Note at the offices of the Registrar, on such terms as the Republic or the Registrar may require, in exchange and substitution for the mutilated or defaced Note or in lieu of and in substitution for the destroyed, lost or stolen Note. In every case of destruction, loss or theft, the applicant for a substitute Note shall furnish to the Republic, the Trustee and the Registrar such indemnity as the Republic, the Trustee or the Registrar, as the case may be, may require and evidence to their satisfaction of the destruction, loss or theft of such Note, and of the ownership thereof. In every case of mutilation or defacement of a Note, the holder shall surrender to the Registrar the Note so mutilated or defaced. In addition, prior to the issuance of any substitute Note, the Republic may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee or the Registrar) connected therewith. If any Note that has matured or is about to mature within 15 days shall become mutilated or defaced or be apparently destroyed, lost or stolen, the Republic may pay or authorize payment of the same without issuing a substitute Note.

Upon the terms and subject to the conditions set forth in the Indentures, a Note or Notes may be exchanged for a Note or Notes of equal aggregate principal amount, but in such different authorized denominations as may be requested by the holder, by the surrender of such Note or Notes to the office of the Registrar, or to the office of any transfer agent, together with a written request for the exchange.

Upon the terms and subject to the conditions set forth in the Indentures, a Note may be transferred in whole or in part (in the principal amount or notional amount, as applicable, of US$150,000 or integral multiples of US$1,000 in excess thereof) by the holder or holders surrendering the Note for registration of transfer at the office of the Registrar or at the office of any Transfer Agent duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Republic and the Registrar or any such Transfer Agent as the case may be, duly executed by the holder or holders thereof or such holder's or holders' attorney-in-fact or attorneys-in-fact duly authorized in writing.

The costs and expenses of effecting any exchange or registration of transfer pursuant to the foregoing provisions, except for the expenses of delivery by other than regular mail (if any) and except, if the Republic shall so require, the payment of a sum sufficient to cover any tax or other governmental charge or insurance charges that may be imposed in relation thereto or, in connection with the provisions of the Indenture, the fees and expenses of the Registrar or Trustee, will be borne by the Republic.

The Registrar may decline to register the transfer or exchange of Notes for a period of 15 days preceding the due date for any payment of principal of or interest on the Notes, as applicable, or register the transfer of or exchange any Notes previously called for redemption.

Certain Covenants of the Republic

So long as any Note remains outstanding, the Republic has agreed to certain covenants, including:

1. So long as any Note is outstanding, the Republic will not create or allow any Lien to be placed on the whole or any part of its present or future revenues, properties or assets to secure the Public External Indebtedness of the person unless, at the same time or prior to the creation of the Lien, the Republic creates or allows a Lien on the same terms for its obligations under the Notes. The Republic may, however, create or allow the following permitted Liens (each a "Permitted Lien"):

    - any Lien upon property to secure Public External Indebtedness incurred for the purpose of financing the acquisition of property over which such Lien has been created and any renewal or extension of any such Lien which is limited to the original property covered thereby and which secures only the renewal or extension of the original secured financing;

- any Lien existing in respect of an asset at the time of its acquisition and any renewal or extension of any such Lien which is limited to the original asset covered thereby and which secures only the renewal or extension of the original secured financing;

- any Lien in existence on the date of the Indentures, including any renewal or extension of such Lien which secures only the renewal or extension of the original secured financing;

- any Lien securing Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project and any renewal or extension of any such Lien, provided that:

  i. the holders of such Public External Indebtedness expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness; and
  ii. the property over which such Lien is granted consists solely of such assets and revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such assets; and

- Liens in addition to those permitted by other Permitted Liens above, and any renewal or extension of such Liens, provided that the aggregate amount of Public External Indebtedness secured by all such additional Liens does not exceed US$25,000,000 (or its equivalent in other currencies) at any time.

2. The Republic will ensure that its obligations under the Notes will at all times constitute direct, general, unconditional, unsubordinated and unsecured Indebtedness of the Republic and rank equally, without any preference among themselves, with all other unsecured and unsubordinated obligations of the Republic, present or future, constituting Public External Indebtedness of the Republic (it being understood that this provision will not be construed so as to require the Republic to make payments under any series of the Notes ratably with payments being made under any other Public External Indebtedness).

In addition, under the Interest Only Notes Indenture, so long as any Interest Only Notes remains outstanding, the Republic has agreed to have at least two of the Rating Agencies rate its long-term foreign currency senior unsecured external debt (including the 2030 Notes).

Events of Default

Each of the following events is an event of default with respect to each of the series of 2030 Notes and Interest Only Notes (each, an "Event of Default"):

(a) The Republic defaults in the payment of principal in respect of the 2030 Notes when and as the same are due, and such default shall continue for a period of thirty (30) days thereafter; or

(b) The Republic defaults in the payment of interest in respect of any of the 2030 Notes or the Interest Only Notes when and as the same are due, and such default shall continue for a period of thirty (30) days thereafter; or

(c) The Republic fails to perform any other obligation under the Notes and such failure continues for a period of 60 calendar days after written notice requiring the same to be remedied shall have been given to the Republic by the Trustee or by the Holders (with a copy to the Trustee) of at least 25% in the aggregate principal amount or Reference Notional Amount, as applicable, of the Notes outstanding; or

(d) as a result of any default or event of default resulting from the failure to make any payment of principal or of interest thereunder when due contained in any agreement or instrument related to any External Indebtedness (as defined herein) of the Republic in excess of US$25,000,000, such External Indebtedness becomes due and payable prior to the stated maturity thereof or if the Republic defaults in the payment or repayment of any of its External Indebtedness in excess of US$25,000,000 on the maturity thereof as extended by any applicable days of grace or any guarantee or indemnity given by the Republic of any External Indebtedness in excess of US$25,000,000 of others shall not be honored when due and called or within any period of grace applicable thereto and after written notice requiring the same to be remedied shall have been given to the Republic by the Trustee or by the Holders (with a copy to the Trustee) of at least 25% in the aggregate principal amount or Reference Notional Amount, as applicable, of the Notes outstanding; or

(e) The Republic declares a moratorium with respect to the payment of principal of or interest on Public External Indebtedness, which moratorium does not expressly exclude the Notes; or

(f) The Republic denies, repudiates or contests the validity of its obligations under the Notes;

(A) then, in any such event, under the 2017 Indenture and with respect to the 2030 Notes only, the holders of at least 25% of the aggregate principal amount of the Notes outstanding, may by written notice given to the Republic with a copy to the Trustee, declare the principal of and any accrued interest on the Notes held by such holders to be, and such principal and any interest shall thereupon become, immediately due and payable at their principal face amount plus interest accrued thereon to the date of payment, including any Additional Amounts, unless prior to receipt of such demand by the Republic all such defaults shall have been cured; and

(B) then, in any such event, under the Interest Only Notes Indenture and with respect to the Interest Only Notes only, the holders of at least 25% of the aggregate Reference Notional Amount of Interest Only Notes outstanding, may by written notice given to the Republic with a copy to the Trustee, declare:

(a) at any time prior to the Interest Only Notes Last Interest Payment Date, (I) an amount equal to the sum of the present value of each remaining scheduled payment of interest thereon through the Interest Only Notes Last Interest Payment Date, assuming an interest rate of (i) 0.25% through the last day of the Interest Only Notes Initial Interest Period and (ii) 4% from the first date of the Interest Only Notes Subsequent Interest Periods through the Interest Only Notes Last Interest Payment Date, discounted to the relevant date on a semi-annual basis (assuming a 360-day year comprised of twelve 30-day months) at a discount rate equal to the interest rate applicable to the 2030 Notes less the accrued interest for the current period, plus (II) any accrued interest on the Interest Only Notes to the relevant date, and such resulting amount ("face amount") shall thereupon become, immediately due and payable together with interest accrued thereon to the date of payment (at an interest rate equal to the interest rate applicable to the 2030 Notes, including any Additional Amounts, unless prior to receipt of such demand by the Republic all such defaults shall have been cured; and

(b) at any time after the Interest Only Notes Last Interest Payment Date, (i) an amount equal to the sum of the amount that that was due on such date plus (ii) any accrued interest on the Interest Only Notes to the relevant date, and such resulting amount shall thereupon become, immediately due and payable at such resulting face amount together with interest accrued thereon to the date of payment (at an interest rate equal to the interest rate applicable to the 2030 Notes, including any Additional Amounts, unless prior to receipt of such demand by the Republic all such defaults shall have been cured.

For purposes of any calculations made under clause (B)(a) of the preceding sentence, any Reference Notional Amount reduction that has occurred pursuant to the terms of the Interest Only Notes prior to the date of any written notice provided by Holders to the Republic pursuant to clause (B) shall be taken into account, but any subsequent reduction of the Reference Notional Amount of Interest Only Notes shall be assumed to occur in full on April 17, 2030.

Notes held by or on behalf of the Republic shall not be considered "outstanding" for purposes of the preceding sentence. If with respect to a series of Notes any Event of Default described in clauses (a) through (g) above shall give rise to a declaration which shall be effective and such Event of Default is cured or waived following such declaration, then such declaration may be rescinded and annulled by the affirmative vote of the holders of more than 50% of the aggregate principal amount or Reference Notional Amount, as applicable, of the Notes of such series outstanding in accordance with the procedures set forth in the applicable Indenture. The Trustee shall not be deemed to have notice of any Default or Event of Default unless a responsible officer of the Trustee having direct responsibility for the administration of the applicable Indenture and the Notes, has received written notice of such default at the corporate trust office of the Trustee, and such notice references the Notes and the applicable Indenture and details the nature of the default.

Collective Action Securities, Modifications, Amendments and Waivers under the 2017 Indenture

Modifications may be approved by holders of a series of debt securities, including the 2030 Notes, under the 2017 Indenture pursuant to written action consented by the holders of the requisite percentage of debt securities of the relevant series. The Republic shall solicit the consent of the relevant holders to the modification not less than 10 and not more than 30 calendar days before the expiration date for the receipt of such consents as specified by the Republic.

The holders of a series of debt securities (including the 2030 Notes) under the 2017 Indenture may generally approve any proposal by the Republic to modify the 2017 Indenture or the terms of the notes of that series 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 principal amount of the debt securities of that series.

However, in order to modify a reserved matter (as defined below), holders of any series of debt securities (including the 2030 Notes) under the 2017 Indenture must approve, by vote or consent through one of three modification methods (as further described below), any modification, amendment, supplement or waiver proposed by the Republic that would do any of the following (such subjects referred to herein as "reserved matters"):

- change the date on which any amount is payable;
- reduce the principal amount (other than in accordance with the express terms of the debt securities of that series and the 2017 Indenture);
- reduce the interest rate;
- change the method used to calculate any amount payable (other than in accordance with the express terms of the debt securities of that series and the 2017 Indenture);
- change the currency or place of payment of any amount payable;
- modify the Republic's obligation to make any payments (including any redemption price therefor);
- change the identity of the obligor;
- change the definition of "outstanding" with respect to any series of debt securities (including the 2030 Notes) or the percentage of affirmative votes or written consents, as the case may be, required to make a "reserved matter modification;"
- change the definition of "uniformly applicable" or "reserved matter modification;"
- 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 the Republic or any other person; or
- change the legal ranking, governing law, submission to jurisdiction or waiver of immunities provisions of the terms of such debt securities.

A change to a reserved matter, including the payment terms of any series of debt securities (including the 2030 Notes), can be made and future compliance may be waived without your consent, as long as the change is approved, pursuant to one of the three following modification methods, by vote or consent by:

- where such proposed modification would affect a single series of debt securities, the holders of more than 75% of the aggregate principal amount of the outstanding debt securities of the series affected by the proposed modification (defined in the Indenture as "single series reserved matter modification");
- where such proposed modification would affect the outstanding debt securities of two or more series (defined in the 2017 Indenture as a "cross series modification"), the holders of more than 75% of the aggregate principal amount of the then outstanding debt securities of all of the series affected by the proposed modification, taken in the aggregate, if certain "uniformly applicable" requirements are met (defined in the 2017 Indenture as "cross-series modification with single aggregated voting"); or
- where such proposed modification would affect the outstanding debt securities of two or more series, whether or not the "uniformly applicable" requirements are met, the holders of more than 66 2/3% of the aggregate principal amount of the then outstanding debt securities of all of the series affected by the proposed modification, taken in the aggregate, and the holders of more than 50% of the then aggregate principal amount of the outstanding debt securities of each series affected by the modification, taken individually (defined in the Indenture as "cross-series modification with two-tier aggregated voting").

"Uniformly applicable," as used herein, 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).

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, and on owners of debt securities issued in exchange or substitution, whether or not notation of such modification is made upon the debt securities.

The Republic may select, in its discretion, any modification method for a reserved matter modification in accordance with the 2017 Indenture and designate which series of debt securities will be included for approval in the aggregate of modifications affecting two or more series of debt securities. Any selection of a modification method or designation of series to be included will be final for the purpose of that vote or consent solicitation.

For so long as any series of debt securities issued under a fiscal agency agreement entered into the by Republic prior to the date hereof through which the Republic issued notes in the international capital markets in reliance upon Rule 144A of the Securities Act and Regulation S of the Securities and for which The Bank of New York Mellon thereof acts as fiscal agent (each, an "FAA") (the securities issued under the FAAs, "FAA Debt Securities") is outstanding, if the Republic certifies to the Trustee under the 2017 Indenture and to the fiscal agent or trustee under the relevant FAA that a cross-series modification is being sought simultaneously with a "FAA reserved matter modification," the FAA Debt Securities affected by such FAA reserved matter modification shall be treated as "series affected by that proposed modification" as that phrase is used in the 2017 Indenture; *provided,* that if the Republic seeks a cross-series modification with single aggregated voting, in determining whether such modification will be considered uniformly applicable, the holders of any series of FAA Debt Securities affected by the FAA reserved matter modification shall be deemed "holders of debt securities of all series affected by that modification," for the purpose of the uniformly applicable definition. It is the intention that in such circumstances, the votes of the holders of the affected FAA Debt Securities be counted for purposes of the voting thresholds specified in the 2017 Indenture for the applicable cross-series modification as though those FAA Debt Securities had been affected by that cross-series modification although the effectiveness of any modification, as it relates to the FAA Debt Securities, shall be governed exclusively by the terms and conditions of those FAA Debt Securities and by the applicable FAA; *provided, however*, that no such modification as to the debt securities will be effective unless such modification shall have also been adopted by the holders of the FAA Debt Securities pursuant to the amendment and modification provisions of such FAA Debt Securities set forth in the applicable FAA.

"FAA reserved matter modification," as used herein, means any modification to a reserved matter affecting the terms and conditions of one or more series of FAA Debt Securities, pursuant to the applicable FAA.

Before soliciting any consent or vote of any holder of the debt securities (including the 2030 Notes) for any change to a reserved matter, the Republic will provide the following information to the Trustee for distribution to the holders of debt securities of any series that would be affected by the proposed modification:

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

- if the Republic 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 the Republic's proposed treatment of external debt instruments that are not affected by the proposed modification and its intentions with respect to any other major creditor groups; and

- if the Republic is then seeking any reserved 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 2030 Notes has approved any amendment, modification or change to, or waiver of, the 2030 Notes or the 2017 Indenture, or whether the required percentage of holders has delivered a notice of acceleration of the 2030 Notes, 2030 Notes and other notes issued under the 2017 Indenture owned, directly or indirectly, by the Republic or any public sector instrumentality of the Republic will be disregarded and deemed not to be "outstanding", except that in determining whether the Trustee shall be protected in relying upon any amendment, modification, change or waiver, or any notice from holders, only notes that the Trustee knows to be so owned shall be so disregarded. As used in the preceding paragraph, "public sector instrumentality" means *Banco Central de Reserva de El Salvador*, any department, ministry or agency or any corporation, trust or other legal entity owned or controlled by the government of the Republic or any of the foregoing, and "control" means the power, directly or indirectly, through the ownership of the voting securities or other ownership interests, by contract or otherwise, to direct the management of or elect or 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.

Modifications, Amendments and Waivers under the Interest Only Notes Indenture

Modifications may also be approved by holders of the Interest Only Notes under the Interest Only Notes Indenture pursuant to written action consented by the holders of the requisite percentage of Interest Only Notes (with respect to the Reference Notional Amount). The Republic shall solicit the consent of the relevant holders to the modification not less than 10 and not more than 30 calendar days before the expiration date for the receipt of such consents as specified by the Republic.

The holders of Interest Only Notes under the Interest Only Notes Indenture may generally approve any proposal by the Republic to modify the Interest Only Notes Indenture or the terms of the Interest Only Notes 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 Reference Notional Amount of Interest Only Notes outstanding.

However, in order to modify a reserved matter (as defined below), holders of Interest Only Notes must approve, by vote or consent as described below, any modification, amendment, supplement or waiver proposed by the Republic that would do any of the following (such subjects referred to herein as "reserved matters"):

- change the date on which any amount is payable;

- reduce the Reference Notional Amount (other than in accordance with the express terms of the Interest Only Notes Indenture);

- reduce the interest rate;

- change the method used to calculate any amount payable (other than in accordance with the express terms of the Interest Only Notes Indenture);

- change the currency or place of payment of any amount payable;

- modify the Republic's obligation to make any payments (including any redemption price therefor);

- change the identity of the obligor;

- change the definition of "outstanding" with respect to the Interest Only Notes or the percentage of affirmative votes or written consents, as the case may be, required to amend, modify or waive a "reserved matter;"

- authorize the Trustee, on behalf of all holders of the Interest Only Notes, to exchange or substitute all the Interest Only Notes for, or convert all the Interest Only Notes into, other obligations or securities of the Republic or any other person; or

- change the legal ranking, governing law, submission to jurisdiction or waiver of immunities provisions of the terms of the Interest Only Notes.

A change to a reserved matter, including the payment terms of any Interest Only Notes, can be made and future compliance may be waived without your consent, as long as the change is approved, by vote or consent by holders of more than 75% of the aggregate Reference Notional Amount of the outstanding Interest Only Notes affected by the proposed modification.

Any modification consented to or approved by the holders of Interest Only Notes pursuant to the above provisions will be conclusive and binding on all holders of the Interest Only Notes, whether or not they have given such consent, and on all future holders of those Interest Only Notes whether or not notation of such modification is made upon the Interest Only Notes. Any instrument given by or on behalf of any holder of Interest Only Notes in connection with any consent to or approval of any such modification will be conclusive and binding on all subsequent holders of Interest Only Notes, and on owners of Interest Only Notes issued in exchange or substitution, whether or not notation of such modification is made upon the Interest Only Notes.

Before soliciting any consent or vote of any holder of the Interest Only Notes for any change to a reserved matter, the Republic will provide the following information to the Trustee for distribution to the holders of Interest Only Notes:

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

- if the Republic 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 the Republic's proposed treatment of external debt instruments that are not affected by the proposed modification and its intentions with respect to any other major creditor groups; and

- if the Republic is then seeking any reserved matter modification affecting any other debt securities, a description of that proposed modification.

For purposes of determining whether the required percentage of holders of Interest Only Notes has approved any amendment, modification or change to, or waiver of, the Interest Only Notes or the Interest Only Notes Indenture, or whether the required percentage of holders has delivered a notice of acceleration of the Interest Only Notes, Interest Only Notes owned, directly or indirectly, by the Republic or any public sector instrumentality of the Republic will be disregarded and deemed not to be "outstanding", except that in determining whether the Trustee shall be protected in relying upon any amendment, modification, change or waiver, or any notice from holders, only Interest Only Notes that the Trustee knows to be so owned shall be so disregarded. As used in the preceding paragraph, "public sector instrumentality" means *Banco Central de Reserva de El Salvador*, any department, ministry or agency or any corporation, trust or other legal entity owned or controlled by the government of the Republic or any of the foregoing, and "control" means the power, directly or indirectly, through the ownership of the voting securities or other ownership interests, by contract or otherwise, to direct the management of or elect or 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.

Certain Amendments Not Requiring Holder Consent under the Indentures

The Republic and the Trustee may, without the vote or consent of any holder of Notes, modify the Indentures or the Notes for the purpose of:

- adding to the Republic's covenants for the benefit of the holders of the Notes;

- surrendering any right or power conferred upon the Republic with respect to the Notes;

- securing the Notes pursuant to the requirements of the Notes or otherwise;

- curing any ambiguity or curing, correcting or supplementing any defective provision in the Notes or the Indentures;

- amending the Notes or the Indentures in any manner that the Republic and the Trustee may determine and that does not materially adversely affect the interests of any holders of Notes; or

- correcting a manifest error of a formal, minor or technical nature.

Any such modification shall be binding on all holders of the Notes intended to be affected by such modification and, unless the Trustee otherwise requires, the Republic shall notify the holders of the Notes as soon as practicable thereafter.

Payments and Agents

Principal of (in the case of the 2030 Notes only), and interest on, the Notes will be payable by the Trustee to Noteholders. Payment of principal of the 2030 Notes and the final interest payment (with respect to both series of Notes) will only be made to the person in whose name such Note is registered (the "Noteholder") as of the close of business on the 2030 Notes Maturity Date and the Interest Only Last Payment Date (as the case may be), following presentation and surrender of such Note at the office of any Paying Agent (as defined below), by US dollar check drawn on, or by transfer to a US dollar account maintained by the holder with, a bank located in New York City. Payment of interest on a Note on all other interest payment dates will be made to the person in whose name such Note is registered at the close of business on the day (whether or not a Business Day) (the "Record Date") prior to the relevant due date for the payment of interest. Payment of such interest will be made directly to holders' DTC accounts or if notes are in physical form, upon application of the holder to the Registrar not later than the relevant Record Date, by transfer of immediately available funds to a US dollar account maintained by the holder with a bank in New York City. If any day for payment in respect of any Note is not a Business Day, the holder shall not be entitled to payment, or to any interest or other sums, in respect of such postponed payment until the next Business Day following such day in such place.

All moneys paid by or on behalf of the Republic to the Paying Agent or any other paying agent for the payments of the principal of in respect of the 2030 Notes or interest on any Note which remain unclaimed at the end of two years after such principal or interest will have become due and payable will be repaid to the Republic (including all interest accrued, if any, with respect to any such amounts), and the holder of such Note will thereafter look only to the Republic for payment. Upon such repayment, all liability of the Paying Agent and any other paying agent with respect to the Note will cease, without, however, limiting in any way the obligation of the Republic in respect of the amount so repaid, subject to the provisions of "—Prescription."

Holders of beneficial interests in the Notes will be paid in accordance with the procedures of the relevant clearing system and its direct participants, if applicable. Neither the Republic nor the Trustee shall have any responsibility or liability for any aspect of the records of, or payments made by, the relevant clearing system or its nominee or direct participants, or any failure on the part of the relevant clearing system or its direct participants in making payments to holders of the Notes from the funds they receive.

As used herein, "Business Day" means a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets are open, or not authorized to close, in New York City or the city of the Agent to which the Note is surrendered for payment.

The initial Agents and their initial specified offices are listed below. Any of the Agents may resign in accordance with the provisions of the Indentures, and the Republic reserves the right at any time to vary or terminate the appointment of any Agent and appoint additional or other Agents. Notice of any change in the Agents or their specified offices will promptly be given to the Noteholders as described in the Indentures.

The Republic has appointed the Trustee to initially serve as its Registrar and Paying Agent and Transfer Agent for the Notes.

Payments in respect of the Notes will be made in such coin or currency of the United States of America that is the legal tender for the payment of public and private debts at the time of payment.

Concerning the Trustee

The Indentures contain provisions relating to the obligations, rights, duties and protections of the Trustee, to the indemnification of the Trustee and the liability and responsibility, including limitations, for actions that the Trustee takes. The Trustee is entitled to enter into business transactions with the Republic or any of its affiliates without accounting for any profit resulting from such transactions.

Optional Redemption

Notes Optional Redemption

Prior to March 17, 2030 (1 month prior to the 2030 Notes Maturity Date (the "Par Call Date")), the Republic will have the right, at its option, to redeem any of the 2030 Notes outstanding on the date of redemption, in whole or in part, at any time or from time to time prior to their maturity at a redemption price equal to the greater of (1) 100% of the outstanding principal amount of such

2030 Notes and (2) the sum of the present value of each remaining scheduled payment of principal and interest thereon (as if the 2030 Notes matured on the Par Call Date and exclusive of interest accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year comprised of twelve 30-day months) at the Treasury Rate plus 50 basis points, plus, in each case, accrued and unpaid interest on the outstanding principal amount of the 2030 Notes to be redeemed to, but excluding, the redemption date. The Trustee shall have no duty or obligation to make any calculations required under the 2017 Indenture.

On or after the Par Call Date, the Republic may, at its option, redeem the 2030 Notes, in whole or in part, at any time or from time to time at a redemption price equal to 100% of the principal amount of the 2030 Notes to be redeemed, plus accrued and unpaid interest on 100% of on the outstanding principal amount of the 2030 Notes to be redeemed to, but excluding, the redemption date.

Interest Only Notes Optional Redemption

The Republic will have the right, at its option, to redeem any of the Interest Only Notes outstanding on the date of redemption, in whole or in part, at any time or from time to time prior to the Interest Only Notes Last Interest Payment Date at a redemption price equal to the sum of the present value of each remaining scheduled payment of interest thereon (exclusive of interest accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year comprised of twelve 30-day months) at the Treasury Rate plus 50 basis points, plus, in each case, accrued and unpaid interest on the aggregate Reference Notional Amount of Interest Only Notes to be redeemed to, but excluding, the redemption date.

For this calculation the Republic shall assume, if the redemption date occurs:

(i) within any Interest Only Notes Initial Interest Period, that interest on the Interest Only Notes shall accrue at a rate of (a) 0.25% through the last day of the Interest Only Notes Initial Interest Periods, and (b) 4.00% from the first day of the Interest Only Notes Subsequent Interest Periods through the Interest Only Notes Last Interest Payment Date;

(ii) within any Interest Only Notes Subsequent Interest Period and the then-applicable interest rate pursuant to "—General Terms of the Interest Only Notes" is 0.25%, that interest on the Interest Only Notes shall accrue at a rate of (a) 0.25% through the last day of the then-current Interest Only Notes Subsequent Interest Period, and (b) 4.00% from the first day of the following Interest Only Notes Subsequent Interest Period through the Interest Only Notes Last Interest Payment Date; and

(iii) within any Interest Only Notes Subsequent Interest Period and the then-applicable interest rate pursuant to "—General Terms of the Interest Only Notes" is 4.00%, that interest on the Interest Only Notes shall accrue at a rate of 4.00% through the Interest Only Notes Last Interest Payment Date.

On or after the Par Call Date, if the Republic has exercised its right to redeem the 2030 Notes on or after the Par Call Date, the Republic may, at its option, redeem the Interest Only Notes, in a notional amount equivalent to the aggregate principal amount of the 2030 Notes so redeemed, at any time or from time to time at a redemption price equal to accrued and unpaid interest thereon to, but excluding, the redemption date.

For purposes calculating the redemption price of Interest Only Notes pursuant to this section, (i) if the Republic is current on its payments of principal and interest under the 2030 Notes and of interest under the Interest Only Notes at the time of any such redemption, it shall be assumed (a) that the Republic will make any remaining principal payments as and when due under the 2030 Notes and (b) a corresponding reduction of the Reference Notional Amount of Interest Only Notes on the dates and in the amounts set forth in the Interest Only Notes Indenture will be made; and (ii) if the Republic is not current on its payments of principal and interest under the 2030 Notes or of interest under the Interest Only Notes at the time of any such redemption, it shall be assumed that (a) the Republic will not make any remaining principal payments as and when due under the 2030 Notes, (b) no corresponding reduction of the Reference Notional Amount of Interest Only Notes on the dates and in the amounts set forth in the Interest Only Notes Indenture will be made and (c) the reduction of the Reference Notional Amount will occur in full on April 17, 2030.

The Trustee shall have no duty or obligation to make any calculations required under the Interest Only Notes Indenture.

Redemption Procedures

Notice of any redemption will be mailed by first-class mail, postage prepaid, or delivered in accordance with the procedures of DTC, at least 30 but not more than 60 days before the redemption date to holders of the Notes to be redeemed at their respective registered addresses and to the Trustee; *provided, however*, that if the Trustee provides notice on behalf of the Republic, the Trustee will receive notice at least five (5) Business Days prior to when notice is sent to Holders. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market and the rules of such exchange so require, the Republic will also cause notices of redemption to be published as described under "—Notices."

Notes, when called for redemption as specified herein, will become due on the date fixed for redemption. The Republic will pay the redemption price for the Notes to be redeemed together with accrued and unpaid interest thereon to, but excluding, the redemption date. On and after the redemption date, interest will cease to accrue on the Notes subject to redemption as long as the Republic has deposited with the Trustee or a paying agent funds in satisfaction of the applicable redemption price pursuant to terms of the Notes. Upon redemption of any of the Notes by the Republic, such Notes will be cancelled.

Purchase and Cancellation

The Republic or any of its affiliates may at any time purchase the Notes at any price in the open market or otherwise. The Notes so purchased by the Republic may, at the Republic's discretion, be held, resold or surrendered to the Trustee for cancellation.

Additional Amounts

All payments by the Republic in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes, duties, fines, penalties, assessments or other governmental charges of whatsoever nature (or interest on any taxes, duties, fines, penalties, assessments or other governmental charges of whatsoever nature) imposed or levied by or on behalf of the Republic or any political subdivision or authority thereof or therein having power to tax unless the Republic is compelled by law to deduct or withhold such taxes, duties, fines, penalties, assessments or governmental charges (or interest on any taxes, duties, fines, penalties, assessments or other governmental charges). In such event, the Republic shall make such withholding, make payment of the amount so withheld to the appropriate governmental authority (and promptly forward to each holder of a Note an official receipt (or a certified copy) or other documentation evidencing such payment) and forthwith pay such additional amounts ("Additional Amounts") as may be necessary to ensure that the net amounts receivable by the holders of Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes in the absence of such withholding or deduction.

No such Additional Amounts shall be payable:

(i) to, or to a third party on behalf of, a holder who is liable for such taxes, duties, fines, penalties, assessments or governmental charges (or interest thereon) in respect of such Note by reason of such holder's having some connection with the Republic other than the holding of the Note, the receipt of payments on the Note or the enforcement of rights with respect to the Note;

(ii) to, or to a third party on behalf of, a holder who is liable for such taxes, duties, fines, penalties, assessments or governmental charges (or interest thereon) in respect of any Note by reason of such holder's failure to comply with any reasonable certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Republic, or any political subdivision or taxing authority thereof or therein, of such holder or the holder of any interest in such Note or rights in respect thereof, if compliance is required by the Republic, or any political subdivision or taxing authority thereof or therein, as a precondition to exemption from such deduction or withholding; provided, however, that the Republic shall be obligated to pay Additional Amounts if such certification, identification or other reporting requirement would be materially more onerous, in form, in procedure, or in substance of information disclosed by the relevant holders or beneficial owners than comparable information or other reporting requirements imposed under United States tax law, regulation and administrative practice (such as U.S. Internal Revenue Service Forms W-8BEN, W-BENE-E, W-8IMY, W-8ECI, or W-9); or

(iii) to, or to a third party on behalf of, a holder who is liable for such taxes, duties, fines, penalties, assessments or governmental charges (or interest thereon) in respect of any Note by reason of the failure of such holder to present such holder's Note for payment (where such presentment is required) within thirty (30) calendar days after the date on which such payment thereof became due and payable or is duly provided for and notice thereof is given to the holder, whichever occurs first, except to the extent that the holder of the Note would have been entitled to such Additional Amounts on presenting such Note for payment on the last day of such period of thirty (30) calendar days.

Whenever there is mentioned herein, in any context, the payment of the principal of or interest on, or in respect of, a Note, such mention shall be deemed to include mention of the payment of Additional Amounts provided for in this Condition, to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to the provisions of this Condition, and express mention of the payment of Additional Amounts (if applicable) in any provisions hereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

Currency Indemnity

If for the purpose of obtaining judgment in any court it is necessary to convert a sum due under the Notes or a situation described above to the holder of a Note in one currency into another currency, the Republic and each holder will be deemed to have agreed that the exchange rate used will be that at which in accordance with normal banking procedures such holder could purchase the first currency with such other currency in the city which is the principal financial center of the country of issue of the first currency on the second business day preceding the day on which final judgment is given.

The obligation of the Republic in respect of any sum payable by it to the holder of a Note will, notwithstanding any judgment in a currency (the "Judgment Currency") other than that in which such sum is denominated in accordance with the applicable provisions of the Notes (the "Note Currency"), be discharged only to the extent that on the business day following receipt by such holder of the Note of any sum adjudged to be so due in the Judgment Currency, such holder of the Note may in accordance with normal banking procedures purchase the Note Currency with the Judgment Currency. If the amount of the Note Currency so purchased is less than the sum originally due to the holder of the Note in the Note Currency, the Republic will agree, as a separate obligation and notwithstanding any such judgment, to indemnify the holder of the Note against such loss, and if the amount of the Note Currency so purchased exceeds the sum originally due to the holder of the Note such holder will agree to remit to the Republic such excess, *provided* that such holder will have no obligation to remit any such excess as long as the Republic will have failed to pay such holder any obligations due and payable under the Note, in which case such excess may be applied to such obligations of the Republic under the Note in accordance with the terms of the Note.

Prescription

All claims against the Republic for payment of principal of (in the case of the 2030 Notes) or interest (including Additional Amounts, if any) on or in respect of any Notes will become void unless made within five years from the date on which such payment first became due.

Notices

The Republic will mail notices to holders of certificated securities at their registered addresses as reflected in the books and records of the Trustee. The Trustee will consider any mailed notice to have been given five business days after it has been sent. The Trustee will give notices to the holders of a global security in accordance with the procedures and practices of the depositary and such notices shall be deemed given upon actual receipt thereof by the depositary.

The Republic will also publish notices to the holders, and all notices to holders of Notes will be valid if (so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such Exchange so require) published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or in such other publication or city or cities as specified in the Indenture, including on the website of the Luxembourg Stock Exchange at http://www.luxse.com. Any such notice shall be deemed to have been given (x) on the date of mailing, in the case of mailed notice, and (y) on the date of such publication or, if published more than once, on the first date on which publication is made, in the case of published notice.

Further Issues

The Republic may, without the consent of the holders of a series of the Notes, create and issue additional notes having the same ranking and the same interest rate, maturity and other terms as the Notes of such series (or the same except for the amount of the first interest payment and the issue price), so that such further notes may be consolidated and form a single series with the Notes of such series, provided that such additional notes are fungible with the existing Notes for purposes of U.S. federal income taxation (regardless of whether any holders of such notes are subject to U.S. federal laws). Additional Notes issued in this manner will be consolidated with and will form a single series with the Notes.

Governing Law; Arbitration

The Indentures and the Notes will be governed by, and construed in accordance with, the laws of the State of New York, except that all matters concerning authorization by the Republic, as well as the bringing of any actions and the enforcement of any judgment against the Republic in the courts of the Republic, will be governed by the laws of El Salvador. With respect to any debt securities and the 2030 Notes issued pursuant to the 2017 Indenture, notwithstanding any reserved matter modification, the provisions of the 2017 Indenture relating to certain aspects of calling and holding of meetings and voting on amendments, modifications, changes and waivers related to the debt securities or the 2030 Notes shall in all cases be governed by and construed in accordance with the laws of the State of New York. With respect to any debt securities and the Interest Only Notes issued pursuant to the Interest Only Notes Indenture, notwithstanding any reserved matter modification, the provisions of the Interest Only Notes Indenture relating to certain aspects of calling and holding of meetings and voting on amendments, modifications, changes and waivers related to the Interest Only Notes shall in all cases be governed by and construed in accordance with the laws of the State of New York.

Any dispute, controversy or claim arising out of or relating to the Notes (other than any action arising out of or based on the United States federal or state securities laws), including the performance, interpretation, construction, breach, termination or invalidity thereof, shall be finally settled by arbitration in accordance with the UNCITRAL Arbitration Rules. The number of arbitrators shall be three, to be appointed in accordance with Section II of the UNCITRAL Arbitration Rules. The appointing authority shall be the Chairman of the International Court of Arbitration of the International Chamber of Commerce. The third arbitrator may be (but need not be) of the same nationality as any of the parties to the arbitration. The place of arbitration shall be New York, New York. The language to be used in the arbitration proceedings shall be English. Any arbitral tribunal constituted under this paragraph shall make its decisions entirely on the basis of the substantive law of the State of New York.

The decision of any arbitral tribunal shall be final to the fullest extent permitted by law, and a court judgment may be entered thereon by any Salvadoran court lawfully entitled to enter such judgment. In any arbitration or related legal proceedings for the conversion of an arbitral award into a judgment, the Republic will not raise any defense that it could not raise but for the fact that it is a sovereign state. The Republic has not consented to the jurisdiction of any court outside El Salvador in connection with actions arising out of or based on the Notes or in connection with the enforcement of any judgment arising out of such actions, nor has the Republic appointed an agent for service of process outside El Salvador. The Republic waives any *forum non conveniens* defense in any proceeding in El Salvador.

No arbitration proceedings hereunder shall be binding upon or in any way affect the right or interest of any person other than the claimant or respondent with respect to such arbitration.

The Republic's consent to arbitration shall not preclude a holder of any Note from instituting legal proceedings against the Republic in the courts of El Salvador.

The Republic has represented that it has no right to immunity on the grounds of sovereignty or otherwise, from the execution of any judgment in El Salvador, or from the execution or enforcement in El Salvador of any arbitral award (except, in each case, for the limitation on alienation of public property) in respect of any proceeding or any other matter arising out of or relating to its obligations contained in the Notes. The enforcement by a Salvadoran court of a foreign arbitral award is subject to recognition by the Supreme Court of the Republic, which will recognize such award if all of the required formalities are observed and the award does not contravene Salvadoran national sovereignty, constitutional rights or public policy and compliance with the obligations stated in the award is lawful in El Salvador and it is not under one of the refusal grounds set by the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, to which El Salvador is party, or the Mediation, Settlement and Arbitration Law of El Salvador. Under the laws of the Republic, public property (*bienes de uso público*) of the Republic located in El Salvador is not subject to execution or attachment, either prior to or after judgment. The execution of a judgment against the Republic in El Salvador is only available in accordance with Article 182 ordinal 4 of the Constitution of the Republic of El Salvador and the procedures set forth in Articles 555 to 558 and 590 et seq. of the Salvadoran Civil and Business Procedure Code; pursuant to Article 590, if the budget of the fiscal year in which a final judgment is issued is not adjusted to provide for payment of the judgment, registration of the judgment for inclusion in the budget of a subsequent fiscal year of the Republic is required for payment.

Certain Definitions

Set forth below is a summary of certain defined terms used herein and in the Indentures. Reference is made to the Indentures for a full definition of all such terms, as well as any other terms used herein for which no definition is provided.

"External Indebtedness" means any Indebtedness which is issued pursuant to agreements (including, for the avoidance of doubt, Indebtedness issued pursuant to the Interest Only Notes Indenture), or evidenced by instruments subject to Chapter XII of the Commerce Code of the Republic.

"Indebtedness" means any obligation (whether present or future, actual or contingent) for the payment or repayment of borrowed money or arising from bonds, debentures, notes or other similar instruments, including the Indentures.

"Lien" means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance including, without limitation, any equivalent created or arising under the laws of the Republic;

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having a separate legal personality; and

"Public External Indebtedness" means any External Indebtedness which is in the form of, or represented by, bonds, notes or other securities which are or are intended to be or are securities which are commonly quoted, listed or ordinarily dealt in on any stock exchange, automated trading system, over-the-counter or other securities market (including, without limiting the generality of the foregoing, securities eligible for resale pursuant to Rule 144A under the Securities Act), and which has an original maturity of more than one year or is combined with a commitment so that the original maturity of one year or less may be extended at the option of the Republic to a period in excess of one year. For the avoidance of doubt, Public External Indebtedness shall include the Interest Only Notes to be issued under the Interest Only Notes Indenture.

"Treasury Rate" means, with respect to any redemption date, the yield determined by the Republic in accordance with the following two paragraphs.

The Treasury Rate shall be determined by the Republic after 4:15 p.m., New York City time (or after such time as yields on

U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third business day preceding the redemption date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as "Selected Interest Rates (Daily) - H.15" (or any successor designation or publication) ("H.15") under the caption "U.S. government securities–Treasury constant maturities–Nominal" (or any successor caption or heading) ("H.15 TCM"). In determining the Treasury Rate, the Republic shall select, as applicable: (1) the yield for the Treasury constant maturity on H.15 exactly equal to the period from the redemption date to the Par Call Date, in the case of the 2030 Notes, and to the Interest Only Notes Last Interest Payment Date, in the case of the Interest Only Notes (the "Remaining Life"); or (2) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, the two yields – one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life – and shall interpolate to the Par Call Date, in the case of the 2030 Notes, and to the Interest Only Notes Last Interest Payment Date, in the case of the Interest Only Notes, on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (3) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life. For purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the redemption date.

If on the third business day preceding the redemption date H.15 or any successor designation or publication TCM is no longer published, the Republic shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m., New York City time, on the second business day preceding such redemption date of the United States Treasury security maturing on, or with a maturity that is closest to, the Par Call Date or the Interest Only Notes Last Interest Payment Date, as applicable. If there is no United States Treasury security maturing on the Par Call Date or the Interest Only Notes Last Interest Payment Date, as applicable, but there are two or more United States Treasury securities with a maturity date equally distant from the Par Call Date or the Interest Only Notes Last Interest Payment Date, as applicable, one with a maturity date preceding the Par Call Date or the Interest Only Notes Last Interest Payment Date, as applicable, and one with a maturity date following the Par Call Date or the Interest Only Notes Last Interest Payment Date, as applicable, the Republic shall select the United States Treasury security with a maturity date preceding the Par Call Date or the Interest Only Notes Last Interest Payment Date, as applicable. If there are two or more United States Treasury securities maturing on the Par Call Date or the Interest Only Notes Last Interest Payment Date, as applicable, or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Republic shall select from among these two or more United States Treasury securities the United States Treasury security that is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m., New York City time. In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m., New York City time, of such United States Treasury security, and rounded to three decimal places.

PLAN OF DISTRIBUTION

BofA Securities, Inc. is acting as Initial Purchaser of the Notes. Subject to the terms and conditions in the purchase agreement dated the date of this Offering Circular (the "Purchase Agreement"), the Initial Purchaser will agree to purchase, and the Republic will agree to sell to the Initial Purchaser, the principal amount of the Notes set forth opposite its name below.

Initial Purchaser	Principal Amount of 2030 Notes	Notional Amount of Interest Only Notes
BofA Securities Inc.	US$1,000,000,000	US$1,000,000,000
Total:	**US$1,000,000,000**	**US$1,000,000,000**

The Initial Purchaser is offering the Notes subject to prior sale, when, as and if issued to and accepted by it, subject to approval of legal matters by its counsel, including the validity of the Notes, and other conditions contained in the Purchase Agreement. The Initial Purchaser reserves the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part. The Initial Purchaser must purchase all the Notes if they purchase any of the Notes. The Initial Purchaser may offer and sell the Notes through certain of their affiliates.

The Republic has been advised that the Initial Purchaser proposes to resell the Notes at the offering price set forth on the cover page of this Offering Circular within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule l44A and outside the United States in reliance on Regulation S. See "Transfer Restrictions". The price at which the Notes are offered may be changed at any time without notice.

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions".

Accordingly, the Initial Purchaser has agreed that, except as permitted by the Purchase Agreement and set forth in the "Transfer Restrictions", they will not offer or sell the Notes within the United States or to, or for the account or benefit of, U.S. persons as part of the distribution of the Notes.

In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule l44A.

Although application will be made to list the Notes on the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF Market, the listing does not assure that a trading market for the Notes will develop. The Initial Purchaser intends to make a secondary market for the Notes. However, they are not obligated to do so and may discontinue making a secondary market for the Notes at any time without notice. No assurance can be given as to how liquid the trading market for the Notes will be. The Republic cannot assure you that the prices at which the Notes will trade in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering.

No action has been or will be taken by El Salvador or the Initial Purchaser that would or is intended to permit an offering of the Notes or the possession, circulation or distribution of this Offering Circular in preliminary or final form, or any other offering material relating to El Salvador or the Notes, in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, and neither this Offering Circular nor any circular, prospectus, form of application, other offering material or advertisement relating to the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with all applicable laws and regulations of any such country or jurisdiction.

In connection with the offering of the Notes, the Initial Purchaser (or persons acting on their behalf) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes during the stabilization period at a level higher than that which might otherwise prevail. However, stabilization action may not necessarily occur.

Any stabilization action may begin on or after the date of adequate public disclosure of the terms of the offer of the Notes and, if begun, may cease at any time, but it must end no later than 30 days after the date on which the Issuer received the proceeds of the issue, or no later than 60 days after the date of allotment of the Notes, whichever is earlier. Any stabilization action or over-allotment must be conducted by the Initial Purchaser (or persons acting on their behalf) in accordance with all applicable laws and rules and will be undertaken at the offices of the Initial Purchaser (or persons acting on their behalf) and on the Euro MTF Market of the Luxembourg Stock Exchange or the over-the-counter market.

The Initial Purchaser and its affiliates may have provided investment banking, commercial banking and financial advisory services for the Republic from time to time for which they have received customary fees and reimbursements of expenses and may in the future provide additional services for which they will receive customary fees and reimbursements of expenses.

The Republic estimates that the aggregate fees, commissions and expenses of the Notes offering and the related Tender Offer will be approximately US$8,680,000 (assuming approximately 50% of the gross proceeds from the offering of the Notes are used by the Republic to fund the repurchase of securities tendered and accepted for purchase in the Tender Offer). Such aggregate fees, expenses and commissions will not be deducted from the gross proceeds from the issuance of the Notes and will be paid separately by the Republic. Therefore, the Republic will receive the amount of gross proceeds from the issuance of the Notes on the settlement date as described under "Use of Proceeds".

The Republic has agreed to indemnify the Initial Purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchaser may be required to make because of any of those liabilities.

It is expected that delivery of the Notes will be made against payment therefor on or about the date specified on the cover page of this Offering Circular, which will be the fourth business day following the date of pricing of the Notes (this settlement cycle being referred to as “T+4”). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, U.S. purchasers who wish to trade Notes on the date of pricing or the business day thereafter will be required, by virtue of the fact that the Notes initially will settle in T+4, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes in other countries who wish to trade the Notes on the date of pricing or the next two succeeding business days should consult their own advisor.

Sales Outside of the United States

Notice to Prospective Investors in Brazil

The offer and sale of the Notes have not been and will not be registered with the Brazilian Securities Commission (*comissão de valores mobiliários*, or “CVM”) and therefore, will not be carried out by any means that would constitute a public offering in Brazil under CVM Resolution No 160, dated 13 July 2022, as amended ("CVM Resolution 160”) or unauthorized distribution under Brazilian laws and regulations. The Notes will be authorized for trading on organized non-Brazilian securities markets and may only be offered to Brazilian professional investors (as defined by applicable CVM regulation), who may only acquire the Notes through a non- Brazilian account, with settlement outside Brazil in non-Brazilian currency. the trading of these Notes on regulated securities markets in Brazil is prohibited.

Notice to Prospective Investors in Canada

The Notes may be sold only to purchasers 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 Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the Final Offering Circular (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.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchaser is not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Chile

The offer of the Notes will begin on April 8, 2024 and is subject to General Rule No. 336 of the Chilean Securities Commission (*Superintendencia de Valores y Seguros de Chile*, or the "SVS"). The Notes being offered are not registered in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS and, therefore, the Notes are not subject to the supervision of the SVS. As unregistered securities, the Republic of El Salvador is not required to disclose public information about the Notes in Chile. The Notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry.

La oferta de los valores comienza el 8 de abril *de 2024 y está acogida a la NCG 336 de fecha 27 de junio de 2012 de la Superintendencia de Valores y Seguros de Chile (la "SVS"). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública en Chile a menos que sean inscritos en el registro de valores correspondiente.*

Notice to Prospective Investors in Colombia

The Notes have not been and will not be registered on the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) or in the Colombian Stock Exchange. Therefore, the Notes may not be publicly offered in Colombia. This material is for your sole and exclusive use as a determined entity, including any of your shareholders, administrators or employees, as applicable. You acknowledge the Colombian laws and regulations (specifically foreign exchange and tax regulations) applicable to any transaction or investment consummated pursuant hereto and represent that you are the sole liable party for full compliance with any such laws and regulations.

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

Any distributor subject to Directive 2014/65/EU (as amended, "MiFID II") subsequently offering, selling or recommending the Notes is responsible for undertaking its own target market assessment in respect of the Notes and determining the appropriate distribution channels for the purposes of the MiFID II product governance rules under Commission Delegated Directive (EU) 2017/593 ("Delegated Directive"). Neither El Salvador nor the Initial Purchaser make any representations or warranties as to a distributor's compliance with the Delegated Directive.

The Final Offering Circular has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area ("EEA") or the United Kingdom ("UK") will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of Notes.

Neither El Salvador nor the Initial Purchaser have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for El Salvador or the Initial Purchaser to publish a prospectus for such offer.

Neither El Salvador nor the Initial Purchaser have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchaser, which constitute the final placement of the Notes contemplated in the Final Offering Circular.

Each person in a Member State of the EEA or the UK who receives any communication in respect of, or who acquires any Notes under, the offers to the public contemplated in the Final Offering Circular, or to whom the Notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with the Initial Purchaser and El Salvador that it and any person on whose behalf it acquires Notes is: (1) a "qualified investor" within the meaning of Article 2(e) of the Prospectus Regulation; and (2) not a "retail investor". For the purposes of this provision, 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"); or (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.

For the purpose of the above provisions, the expression "an offer to the public" in relation to any Notes in any Member State of the EEA or the UK means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, the expression "Prospectus Regulation" means Regulation (EU) 2017/1129 (as amended or superseded) and 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. This EEA selling restriction is in addition to any other selling restrictions set out in the Final Offering Circular.

This Final Offering Circular is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the UK Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Final Offering Circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Notice to Prospective Investors in Hong Kong

The Notes have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Notes has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "FIEL") and the Initial Purchaser has agreed that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Notice to Prospective Investors in Luxembourg

The Final Offering Circular has not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier* or the "CSSF"), or a competent authority of another EU Member State for notification to the CSSF, for the purposes of a public offering or sale in Luxembourg. Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither the Final Offering Circular, the indenture nor any other circular, prospectus, form of application, advertisement or other material related to such offer may be distributed, or otherwise be made available in or from, or published in, Luxembourg except in circumstances which do not constitute an offer of securities to the public requiring the publication of a prospectus in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities, as amended (the "Luxembourg Prospectus Act"), and implementing the Prospectus Directive. Consequently, the Final Offering Circular and any other offering circular, prospectus, form of application, advertisement or other material may only be distributed to (i) Luxembourg qualified investors as defined in the Luxembourg Prospectus Act, (ii) to fewer than 150 prospective investors, which are not qualified investors and/or (iii) in any other circumstance contemplated by the Luxembourg Prospectus Act.

Notice to Prospective Investors in Mexico

The Notes have not been and will not be registered with the National Securities Registry (*Registro Nacional de Valores*) maintained by the Mexican National Banking and Securities Commission *(Comisión Nacional Bancaria y de Valores* or the "CNBV"), and therefore may not be offered or sold publicly, or otherwise be the subject of brokerage activities in Mexico, except that the Notes may be offered pursuant to a private placement exemption set forth under Article 8 of the Mexican Securities Market Law (*Ley del Mercado de Valores*). The information contained in the Final Offering Circular is exclusively the responsibility of the Issuer and has not been reviewed or authorized by the CNBV. The acquisition of the Notes by an investor who is a resident of Mexico will be made under such investor's own responsibility.

Notice to Prospective Investors in Panama

The Notes have not been, and will not be, registered for public offering in Panama with the Panamanian Superintendency of the Securities Market (*Superintendencia del Mercado de Valores*, previously the National Securities Commission of Panama) under

Decree-Law 1 of July 8, 1999, as reformed by Law 67 of 2011 (the "Panamanian Securities Act"). Accordingly, the Notes may not be offered or sold in Panama, except in certain limited transactions exempted from the registration requirements of the Panamanian Securities Act. The Notes do not benefit from tax incentives accorded by the Panamanian Securities Act, and are not subject to regulation or supervision by the Panamanian Superintendency of the Securities Market as long as the Notes are offered to no more than 25 persons domiciled in Panama and result in the sale to no more than 10 of such persons.

Notice to Prospective Investors in Peru

The Notes and the information contained in the Final Offering Circular 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. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the Notes and therefore, the disclosure obligations set forth therein will not be applicable to the Issuer of the Notes or the sellers of the Notes before or after their acquisition by prospective investors. The Notes and the information contained in the Final Offering Circular have not been and will not be reviewed, confirmed, approved or in any way submitted to the Peruvian Superintendency of Capital Markets (*Superintendencia del Mercado de Valores*, or "SMV") nor have they been registered under the Securities Market Law (*Ley del Mercado de Valores*) or any other Peruvian regulations. Accordingly, the Notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein.

Notice to Prospective Investors in Singapore

The Final Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Final Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Notice to Prospective Investors in Switzerland

The Final Offering Circular does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the Notes will not be listed on the SIX Swiss Exchange. Therefore, the Final Offering Circular may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the Notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the Notes with a view to distribution. Any such investors will be individually approached by the Initial Purchaser from time to time.

Notice to Prospective Investors in Taiwan

The Notes have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the Notes in Taiwan.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

Global Notes

The Notes of each series will initially be issued in the form of registered notes in global form (which we refer to in this Offering Circular as "Global Notes"), without interest coupons, as follows:

- Notes sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act will be represented by one or more Global Notes (which we refer to in this Offering Circular as the "Restricted Global Notes"); and

- Notes sold in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by one or more Global Notes (which we refer to in this Offering Circular as the "Regulation S Global Notes").

Upon issuance, the Global Notes will be deposited with the Trustee (as defined in "Description of the Notes") as custodian for DTC and registered in the name of a nominee of DTC.

Ownership of beneficial interests in each Global Note will be limited to persons who have accounts with DTC (which we refer to in this Offering Circular as the "DTC participants") or persons who hold interests through DTC participants. The Republic expects that under procedures established by DTC:

- upon deposit of each Global Note with DTC's custodian, DTC will credit portions of the principal amount of the Global Note to the accounts of the DTC participants designated by the Initial Purchaser; 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 DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in each Global Note).

Investors may hold their interests in the Notes through organizations that are direct or indirect DTC participants. Each of Euroclear and Clearstream, Luxembourg will appoint a DTC participant to act as its depositary for the interests in the Global Notes that are held within DTC for the account of each of these settlement systems on behalf of its respective participants.

Beneficial interests in the Global Notes may not be exchanged for Notes in physical certificated 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 between the Global Notes

Beneficial interests in one Global Note may generally be exchanged for interests in another Global Note of the same series. Depending on whether the transfer is being made during or after the 40-day restricted period, and to which Global Note the transfer is being made, the Trustee may require the seller to provide certain written certifications in the form provided in the Indenture (as defined in "Description of the Notes").

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. See "Transfer Restrictions."

Book-Entry Procedures for the Global Notes

All interests in the Global Notes will be subject to the operations and procedures of DTC and, if applicable, Euroclear and Clearstream, Luxembourg. The Republic provides the 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. Neither the Republic nor the Initial Purchaser are responsible for those operations or procedures.

TRANSFER RESTRICTIONS

The Notes are subject to the following restrictions on transfer. By purchasing Notes, each prospective investor will be deemed to have made the following acknowledgments, representations to and agreements with the Republic and the Initial Purchaser:

(1) Each prospective investor acknowledges that:

- the Notes have not been registered under the Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and

- unless so registered, the Notes may not be offered, sold or otherwise transferred except under 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 in paragraph (4) below.

(2) Each prospective investor represents that it is not an affiliate (as defined in Rule 144 under the Securities Act) of the Republic, that it is not acting on the Republic's behalf and that either:

- it is a qualified institutional buyer (as defined in Rule 144A) and is purchasing Notes for its own account or for the account of another qualified institutional buyer, and it is aware that the Initial Purchaser is selling the Notes to it in reliance on Rule 144A; or

- it is not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and it is purchasing Notes in an offshore transaction in accordance with Regulation S.

(3) Each prospective investor acknowledges that neither the Republic nor the Initial Purchaser nor any person representing the Republic or the Initial Purchaser has made any representation to such prospective investor with respect to the Republic or the offering of the Notes, other than the information contained in this Offering Circular. Each prospective investor represents that it is relying only on this Offering Circular in making its investment decision with respect to the Notes. Each prospective investor agrees that it has had access to such information concerning the Republic and the Notes as it has deemed necessary in connection with its decision to purchase Notes, including an opportunity to ask questions of and request information from the Republic.

(4) Each prospective investor represents that it is purchasing Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act, subject to any requirement of law that the disposition of its property or the property of that investor account or accounts be at all times within its or their control and subject to its or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from the registration requirements of the Securities Act. Each prospective investor agrees on its own behalf and on behalf of any investor account for which it is purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that the Notes may be offered, sold or otherwise transferred only:

(a) to the Republic;

(b) under a registration statement that has been declared effective under the Securities Act;

(c) for so long as the Notes are eligible for resale under Rule 144A, to a person whom the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom it has given notice that the transfer is being made in reliance on Rule 144A; or

(d) pursuant to Regulation S.

Each prospective investor also acknowledges that:

- the Republic and the Trustee reserve the right to require, in connection with any offer, sale or other transfer of Notes, the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Republic and the Trustee;

- Notes (other than those issued outside the United States pursuant to Regulation S) will, unless otherwise agreed by us and the holder thereof, bear a legend substantially to the following effect:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) TO THE ISSUER OF THIS NOTE, (II) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (III) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, OR (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (II) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

BY ACCEPTANCE OF THIS NOTE BEARING THE ABOVE LEGEND, WHETHER UPON ORIGINAL ISSUANCE OR SUBSEQUENT TRANSFER, EACH HOLDER OF THIS NOTE ACKNOWLEDGES THE RESTRICTIONS ON THE TRANSFER OF THESE NOTES SET FORTH ABOVE AND AGREES THAT IT SHALL TRANSFER THIS NOTE ONLY AS PROVIDED HEREIN AND IN THE INDENTURE.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ONLY AT THE OPTION OF THE ISSUER.

- Notes issued outside the United States pursuant to Regulation S will, until 40 days after the issuance, unless otherwise agreed by us and the holder thereof, bear a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY IN ANY JURISDICTION AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT TO A QIB.

Each prospective investor acknowledges that the Republic, the Initial Purchaser and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. Each prospective investor agrees that if any of the acknowledgments, representations or agreements such prospective investor is deemed to have made by its purchase of Notes is no longer accurate, it will promptly notify the Republic and the Initial Purchaser. If any prospective investor is purchasing any Notes as a fiduciary or agent for one or more investor accounts, such prospective investor represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the above acknowledgments, representations and agreements on behalf of each account.

TAXATION

El Salvador Taxation

The following is a general discussion of Salvadoran tax considerations. The discussion is based upon the tax laws of El Salvador as in effect on the date of this Offering Circular, which are subject to change. Prospective investors should consult their own tax advisors with respect to Salvadoran tax consequences of the investment. This summary does not discuss the effects of any treaties that may be entered into by, or be effective with respect to, El Salvador.

Under current Salvadoran law, including Legislative Decree No. 961 of the Republic's Legislative Assembly (as published in the *Diario Oficial* on February 29, 2024), payments of principal and interest on the Notes are not subject to income or withholding tax in El Salvador. Gains realized on the sale or other disposition of the Notes are not subject to income or withholding tax in El Salvador provided the transaction takes place outside El Salvador. If the transaction takes place within El Salvador, gains realized on the sale or other disposition of the Notes will be subject to the treatment set forth in the relevant tax legislation. If a holder who sells a Note is outside of El Salvador, such sale will not be treated as taking place within El Salvador for Salvadoran tax purposes. There are no Salvadoran transfer, inheritance, gift or succession taxes applicable to the Notes.

U.S. Federal Income Taxation

The following discussion describes the material U.S. federal income tax consequences of your purchase, ownership and disposition of a 2030 Note and an Interest Only Note acquired at their issue price pursuant to this offering. The discussion is based on the provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder by the U.S. Department of the Treasury (the "Treasury Regulations"), rulings and judicial decisions interpreting the Code as of the date that this Offering Circular was issued. These authorities may be repealed, revoked or modified, possibly with retroactive effect. No assurances can be given that any changes in these laws or authorities will not affect the accuracy of the discussions set forth in this summary. This discussion does not cover any U.S. state, U.S. local or non-U.S. tax issues, nor does it cover issues under the U.S. federal estate or gift tax laws.

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. A different treatment from that described below could adversely affect the amount, timing, and character of income, gain or loss in respect of an investment in the Notes.

This discussion deals only with beneficial owners that hold the Notes as capital assets for U.S. federal income tax purposes (generally, property held for investment). This discussion does not purport to deal with all aspects of U.S. federal income taxation that may be relevant to a particular holder in light of the holder's circumstances.

In particular, this discussion assumes that you are not subject to any special U.S. federal income tax rules, including, among others, the special tax rules applicable to:

- persons subject to special tax accounting rules under Section 451(b) of the Code;
- dealers in securities or currencies;
- securities traders using a mark-to-market accounting method;
- banks or life insurance companies;
- regulated investment companies;
- real estate investment trusts;
- persons subject to the alternative minimum tax;
- persons that purchase or sell Notes as part of a wash sale for U.S. federal income tax purposes;

- persons that purchase or sell Notes as part of a hedging transaction or as a position in a straddle or conversion transaction;

- partnerships or other entities treated as partnerships for U.S. federal income tax purposes, or persons holding the Notes through partnerships or other pass-through entities;

- U.S. Holders (as defined below) that do not use the U.S. dollar as their functional currency; or

- tax-exempt organizations.

If any of these assumptions are not correct in your case, the purchase, ownership or disposition of a Note may have U.S. federal income tax consequences for you that differ from, or are not covered in, this discussion.

If a partnership (including any entity or other arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of a Note, the U.S. federal income tax treatment of a partner in that partnership generally will depend on the status of the partner and the activities of the partnership. Prospective investors in the Notes that are partnerships and partners in those partnerships should consult their own tax advisor regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes.

This discussion also does not address the tax consequences to U.S. Holders of participating simultaneously in this offering and the Tender Offer. U.S. Holders participating in both this offering and the Tender Offer should consult their own tax advisors regarding the U.S. federal income tax consequences of such simultaneous participation.

In certain circumstances (see "Terms and Conditions of the Notes – Optional Redemption"), we may be obligated to pay additional amounts to optionally redeem the Notes. These potential payments may implicate the provisions of the Treasury Regulations relating to "contingent payment debt instruments." The potential interest rate changes on the Interest Only Notes also may implicate the "contingent payment debt instrument" provisions of the Treasury Regulations. Under these Treasury Regulations, a contingency should not cause a debt instrument to be treated as a contingent payment debt instrument if, as of the issue date, such contingency is considered "remote" or "incidental" or, in certain circumstances, it is significantly more likely than not that the contingency will not occur. We intend to take the position that the foregoing potential obligation to pay certain additional amounts, as well as the potential interest rate changes, should not cause the Notes to be treated as contingent payment debt instruments for U.S. federal income tax purposes. Our position is binding on a holder unless such holder discloses its contrary position in the manner required by the applicable Treasury Regulations. It is possible that the IRS may take a different position, in which case, if such position is sustained, the timing and amount of income included and the character of the income recognized with respect to the Notes may be materially and adversely different from the consequences discussed herein. The remainder of this discussion assumes that the Notes will not be treated as contingent payment debt instruments. You should consult your own tax advisors regarding the possible application of the contingent payment debt instrument rules to the Notes.

You should consult your own tax advisor concerning the U.S. federal, U.S. state, U.S. local, non-U.S. and other tax consequences to you of the purchase, ownership or disposition of a Note.

Deemed Taxable Exchange

A change made to the terms of the Notes pursuant to the modification and amendment provisions of the Notes may give rise to a deemed taxable exchange of the Notes for U.S. federal income tax purposes upon which gain or loss is realized if the modified Note differs materially either in kind or extent from the original Note (a "Significant Modification"). Such gain or loss would generally be measured by the difference between the fair market value of the Note after the Significant Modification and the holder's tax basis in such Note before the Significant Modification. A modification of a Note that is not a Significant Modification does not create a deemed exchange for U.S. federal income tax purposes. Under applicable Treasury Regulations, the modification of a Note is a Significant Modification if, based on all of the facts and circumstances and taking into account all modifications of the Note collectively (other than modifications that are subject to special rules), the legal rights or obligations that are altered and the degree to which they are altered is "economically significant." The applicable Treasury Regulations also provide specific rules to determine whether certain modifications, such as a change in the timing of payments, are significant. See the discussion under "—Modifications, Amendments and Waivers—Collective Action" for more information about potential amendments of certain key terms of the Notes.

Treatment of the 2030 Notes and Interest Only Notes Acquired in the Offering

Although not entirely clear, it is expected that a 2030 Note and an Interest Only Note acquired pursuant to this offering should be treated as a unit and a single debt obligation entitling the holder to payments of principal and related interest for U.S. federal income tax purposes (a "Debt Obligation"). The remainder of this discussion assumes that the issuance of a 2030 Note and an Interest Only Note as a unit is treated as a single Debt Obligation. Prospective investors are urged to consult with their tax advisors with respect to the U.S. federal income tax consequences of the acquisition, ownership and disposition of a Note taking into account their specific circumstances.

U.S. Holders

This section applies to you if you are a "U.S. Holder," meaning that you are, for U.S. federal income tax purposes, the beneficial owner of a Note and you are:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity classified as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust (A) if a court within the United States is able to exercise primary supervision over your administration and one or more "United States persons" as defined in the Code (each a "U.S. Person") have authority to control all your substantial decisions, or (B) that was in existence on August 20, 1996 and has made a valid election under the Treasury Regulations to be treated as a U.S. trust.

If you are not a U.S. Holder, this section does not apply to you and you should refer to "—Non-U.S. Holders" below.

Payments of Interest.

Payments or accruals of stated interest (as defined under "— Original Issue Discount" below) on a Note generally will be taxable to you as ordinary income. If you generally report your taxable income using the accrual method of accounting, you must include payments of interest in your income as they accrue. If you generally report your taxable income using the cash method of accounting, you must include payments of interest in your income when you actually or constructively receive them.

You must include any tax withheld from the interest payment as ordinary income even though you do not in fact receive it. You may be entitled to deduct or credit this tax, subject to applicable limits and conditions. You will also be required to include in income as interest any additional amounts paid with respect to withholding tax imposed on interest payments under the Notes, including withholding tax on payments of such additional amounts. For purposes of the foreign tax credit provisions of the Code, interest (including any additional amounts) on a Note generally will constitute foreign source income and will be categorized as passive or another category of income depending on your circumstances.

Original Issue Discount.

It is expected that the Debt Obligations will be issued at a discount from their stated redemption price at maturity (as defined below)that is equal to or greater than the product of one-fourth of one percent (0.25 percent) of the stated redemption price at maturity of such Debt Obligations multiplied by the number of full years to their maturity (the "de minimis threshold"). As such, it is expected that the Debt Obligations will be "Original Issue Discount Obligations." The difference between the issue price and the stated redemption price at maturity of such Debt Obligations will be the "original issue discount" ("OID"). The "issue price" of a Debt Obligation will be the first price at which a substantial amount of the Debt Obligations is sold to the public (i.e., excluding sales of the Debt Obligations to underwriters, placement agents, wholesalers, or similar persons). The "stated redemption price at maturity" will include all payments under a Debt Obligation other than payments of qualified stated interest. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments issued by the Republic) at least annually during the entire term of the Debt Obligation at a single fixed interest rate. If you hold an Original Issue Discount Obligation, you generally will be subject to special tax accounting rules for obligations issued with OID. You should be aware that, as described in greater detail below, you generally must include OID in ordinary gross income for U.S. federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income.

In general, if you are the holder of an Original Issue Discount Obligation, regardless of whether you otherwise use the cash or the accrual method of tax accounting, you will be required to include in ordinary gross income the sum of the "daily portions" of OID on the Debt Obligation for all days during the taxable year that you own the Debt Obligation. The daily portions of OID on an Original Issue Discount Obligation 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 any length and may vary in length over the term of an Original Issue Discount Obligation, 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. If you are the initial owner of a Debt Obligation, the amount of OID on an Original Issue Discount Obligation allocable to each accrual period is determined by (a) multiplying the "adjusted issue price" (as defined below) of the Original Issue Discount Obligation at the beginning of the accrual period by its yield to maturity (appropriately adjusted to reflect the length of the accrual period) and (b) subtracting from that product the amount (if any) of qualified stated interest allocable to that accrual period. The "yield to maturity" of a Debt Obligation is the discount rate that causes the present value of all payments on the Debt Obligation as of its original issue date to equal the issue price of the Debt Obligation. The "adjusted issue price" of an Original Issue Discount Obligation at the beginning of any accrual period will generally be the sum of its issue price (generally including accrued interest, if any) and the amount of OID allocable to all prior accrual periods, reduced by the amount of all payments other than payments of qualified stated interest (if any) made with respect to the Debt Obligation in all prior accrual periods. As a result of this "constant yield" method of including OID in income, the amounts includible in income by you in respect of an Original Issue Discount Obligation denominated in U.S. dollars generally are lesser in the early years and greater in the later years than the amounts that would be includible on a straight-line basis.

You generally may make an irrevocable election to include in your income all interest that accrues on a Debt Obligation (i.e., the excess of all remaining payments to be received on the Debt Obligation, including payments of qualified stated interest, over the amount you paid for the Debt Obligation) under the constant-yield method described above.

If you are a subsequent U.S. Holder of an Original Issue Discount Obligation that purchases the obligation at a cost less than its remaining redemption amount (as defined below), or you are an initial U.S. Holder that purchases an Original Issue Discount Obligation at a price other than the obligation's issue price, you also generally will be required to include in gross income the daily portions of OID, calculated as described above. However, if you acquire the Original Issue Discount Obligation at a price greater than its adjusted issue price, you are required to reduce your periodic inclusions of OID income to reflect the premium paid over the adjusted issue price. The "remaining redemption amount" for a Debt Obligation is the total of all future payments to be made on the Debt Obligation other than payments of qualified stated interest. Notwithstanding the foregoing, if a subsequent U.S. Holder purchases a 2030 Note or an Interest Only Note in a separate transaction, the tax treatment is expected to be governed by the rules described in "Stripped Bonds" below. A complete summary of the U.S. federal income tax consequences to subsequent U.S. Holders is beyond the scope of this discussion. Subsequent U.S. Holders are urged to consult their tax advisors regarding the U.S. federal income tax consequences of purchasing an Original Issue Discount Obligation after this offering.

As discussed above, at the option of the Republic, the Notes may be redeemed prior to their stated maturity (see "Terms and Conditions of the Notes – Optional Redemption"). Notes that are redeemed prior their stated maturity, including Original Issue Discount Obligations, may be subject to special rules that differ from the general rules discussed above. You should consult your tax adviser about the tax consequences of investing in the Notes.

Stripped Bonds.

Pursuant to Section 1286 of the Code, the separation of ownership of the right to receive some or all of the interest payments on a debt obligation from ownership of the right to receive the principal payments results in the creation of "stripped coupons" with respect to interest so separated and "stripped bonds" with respect to the right to principal payments and any remaining interest payments. Consequently, although not free from doubt, it is expected that a purchaser of a 2030 Note or Interest Only Note from an initial holder will be considered to own stripped bonds or stripped coupons, respectively.

Section 1286 of the Code treats a stripped bond or a stripped coupon, for purposes of applying the OID rules, as a debt instrument issued with OID on the date that such stripped bond or stripped coupon is purchased. However, a 2030 Note that is a stripped bond is treated as having zero OID if it would have no more than de minimis OID when it is treated as a newly issued debt instrument on the date the stripping transaction occurred. Accordingly, the tax consequences to a purchaser of a 2030 Note or Interest Only Note from the initial holder are determined as if the 2030 Note or Interest Only Note, as applicable, were an Original Issue Discount Obligation (subject to the *de minimis* exception) issued on the date of purchase or, in the case of a 2030 Note or Interest Only Note, as applicable, maturing one year or less from the date of purchase, a short-term debt obligation issued on that date. The amount of OID is equal to the excess (if any) of the stated redemption price at maturity of the 2030 Note or Interest Only Note, as applicable, over the purchase price. For purposes of determining the amount of OID, none of the stated interest on an Interest Only Note should be treated as qualified stated interest (i.e., payments of interest excluded from the stated redemption price at maturity) and stated interest on a Note should be treated as qualified stated interest only if doing so would cause such Note in the hands of the new holder to have no more than de minimis OID. If a Note would have more than de minimis OID after a separation from its proportionate amount of Interest Only Notes, none of its interest may qualify as qualified stated interest (i.e., all of its stated interest and any purchase discount would need to be accrued into such holder's income under the OID rules rather than the holder's usual method of accounting).

If a U.S. Holder purchases in one transaction a pro rata share of a 2030 Note and applicable unmatured Interest Only Note, while the matter is not free from doubt, such U.S. Holder is expected be treated as purchasing an undivided interest in a Debt Obligation rather than the separate components. However, if the 2030 Note and Interest Only Note are purchased in separate transactions, then the U.S. Holder is expected to be treated as purchasing the separate components for U.S. federal income tax purposes. Such a U.S. Holder is expected to be required to account for taxable income with respect to such components as described in the preceding paragraph.

A U.S. Holder of Notes that sells a 2030 Note or Interest Only Note also is expected to be subject to the rules of Section 1286 of the Code. On the date of disposition, the U.S. Holder is expected to be required to (i) include in income all interest and market discount accrued that is allocable to the Note being disposed and not previously included in income; (ii) increase its basis in the Debt Obligation by the same amount; (iii) allocate its basis in the Debt Obligation among the 2030 Note or Interest Only Note retained and disposed of according to their respective fair market values; and (iv) recognize gain or loss with respect to the 2030 Note or Interest Only Note disposed of. Such U.S. Holder is expected to be treated as having purchased the retained Notes for an amount equal to the basis allocable to such Notes. Additionally, such U.S. Holder will be required to accrue OID on the retained Notes until maturity in the same manner described above in "Original Issue Discount."

Because of the complexity of these issues, we strongly suggest that holders of stripped bond certificates and stripped coupon certificates consult with their own tax advisors regarding the proper treatment of these certificates for U.S. federal income tax purposes.

Disposition of Notes.

Subject to the rules for stripped bonds discussed above, if you sell or otherwise dispose of a Note, you generally will recognize a gain or loss equal to the difference between your "amount realized" and your "adjusted tax basis" in the Note. In addition, you will recognize capital gain upon the receipt of each principal installment payment on a Note prior to maturity in an amount equal to the proportionate amount of any *de minimis* OID on such Note. Your "amount realized" generally will be the value of what you receive for selling or otherwise disposing of the Note, other than amounts attributable to accrued but unpaid interest (which generally will be taxed to you as ordinary income to the extent not previously included in income). Your "adjusted tax basis" in the Note generally will equal the amount that you paid for the Note, increased by any amounts that you are required to include in income under the rules governing OID and decreased by the excess of any previous principal installment payments that you have received on such Note over any *de minimis* OID that you have previously included in income upon the receipt of such payments.

Medicare Tax.

A U.S. Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% Medicare tax on the lesser of (i) the U.S. Holder's "net investment income" (or, in the case of an estate or trust, the "undistributed net investment income") for the relevant taxable year and (ii) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances). A U.S. Holder's net investment income generally will include its interest income and its net gains from the disposition of the Notes, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are an individual, estate or trust, you are urged to consult your own tax advisor regarding the applicability of the Medicare tax to your income and gains in respect of your investment in the Notes.

*Information with Respect to Foreign Financial Assets***.**

Owners of "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 may be required to file information reports with respect to such assets with their U.S. federal income tax returns. Depending on your circumstances, higher threshold amounts may apply. "Specified foreign financial assets" include any financial accounts maintained by non-U.S. financial institutions, as well as securities held for investment and issued by non-U.S. Persons (which may include Notes issued in certificated form) that are not held in accounts maintained by financial institutions. Failure to file information reports may subject you to penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. You should consult your own tax advisor regarding your obligation to file information reports with respect to the Notes.

Non-U.S. Holders

This section applies to you if you are a "Non-U.S. Holder," meaning that you are a beneficial owner of a Note and are not a partnership for U.S. federal income tax purposes and not a "U.S. Holder" as defined above.

*Payments of Interest***.**

Subject to the discussion of backup withholding below, you generally will not be subject to U.S. federal income tax, including withholding tax, on interest that you receive on a Note unless you are engaged in a trade or business in the United States and the interest on the Note is treated for U.S. federal income tax purposes as "effectively connected" to that trade or business (and in addition, if an income tax treaty applies, the interest is attributable to a permanent establishment or fixed place of business maintained by you within the United States). If you are engaged in a U.S. trade or business and the interest income is deemed to be effectively connected to that trade or business, you generally will be subject to U.S. federal income tax on that interest in the same manner as if you were a U.S. Holder (unless the interest is excluded under an applicable tax treaty). In addition, if you are a corporation for U.S. federal income tax purposes, your interest income subject to tax in that manner may increase your liability under the U.S. branch profits tax currently imposed at a 30% rate (or a lower rate under an applicable tax treaty).

*Disposition of Notes***.**

Subject to the backup withholding discussion below, you generally will not be subject to U.S. federal income tax or withholding tax for any capital gain that you realize when you sell or otherwise dispose of a Note unless:

1. that gain is effectively connected for U.S. federal income tax purposes to any U.S. trade or business you are engaged in (and in addition, if an income tax treaty applies, the gain is attributable to a permanent establishment or fixed base in the United States); or

2. if you are an individual, you are present in the United States for 183 days or more in the taxable year in which you sell or otherwise dispose of the Note and either (i) you have a tax home (as defined in the Code) in the United States during the taxable year in which you sell or otherwise dispose of the Note, or (ii) the gain is attributable to any office or other fixed place of business that you maintain in the United States.

If you are described under (1) above, you generally will be subject to U.S. federal income tax on such gain in the same manner as a U.S. Holder and, if you are a corporation for U.S. federal income tax purposes, you may also be subject to the U.S. branch profits tax as described above. If you are described under (2) above, you generally will be subject to a 30% U.S. federal tax on the gain derived from the sale or other taxable disposition of a Note, which may be offset by certain U.S. source capital losses (notwithstanding the fact that you are not considered a U.S. resident for U.S. federal income tax purposes). Any amount attributable to accrued but unpaid interest on a Note generally will be treated in the same manner as payments of interest made to you, as described above under "—Payments of Interest."

Backup Withholding and Information Reporting

If you are a U.S. Holder, and unless you prove that you are exempt, information reporting requirements will apply to payments of principal and interest to you if such payments are made within the United States or by or through a custodian or nominee that is a "U.S. Controlled Person," as defined below. Backup withholding will apply to such payments of principal and interest if (i) you fail to provide an accurate taxpayer identification number; (ii) in the case of interest payments, you fail to certify that you are not subject to backup withholding; (iii) you are notified by the IRS that you have failed to report all interest and dividend income required to be shown on your U.S. federal income tax returns; or (iv) you fail to demonstrate your eligibility for an exemption.

If you are a Non-U.S. Holder, you generally are exempt from these withholding and reporting requirements, but you may be required to comply with certification and identification procedures in order to prove your exemption. If you are paid the proceeds of a sale or redemption of a Note effected at the U.S. office of a broker, you generally will be subject to the information reporting and backup withholding rules. In addition, the information reporting rules will apply to payments of proceeds of a sale or redemption effected at a non-U.S. office of a broker that is a "U.S. Controlled Person," as defined below, unless the broker has documentary evidence that the holder or beneficial owner is not a U.S. Holder (and has no actual knowledge or reason to know the contrary) or the holder or beneficial owner otherwise establishes an exemption. The backup withholding rules will apply to such payments if the broker has actual knowledge that you are a U.S. Person. A U.S. Controlled Person includes:

- a U.S. Person;
- a controlled foreign corporation for U.S. federal income tax purposes;
- a non-U.S. Person 50% or more of whose gross income is effectively connected with a U.S. trade or business for tax purposes for a specified three-year period; or
- a non-U.S. partnership in which U.S. Persons hold, at any time during the non-U.S. partnership's tax year, more than 50% of the income or capital interests or which is engaged in a U.S. trade or business.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to you generally will be allowed as a credit or refund against your U.S. federal income tax liability as long as you provide the required information to the IRS in a timely manner.

VALIDITY OF THE NOTES

The validity of the Notes will be passed upon on behalf of the Republic by Rodolfo Antonio Delgado Montes, the *Fiscal General de la República* (the "Attorney General") of the Republic and by Consortium Legal, Salvadoran counsel to the Republic, and by Arnold & Porter Kaye Scholer LLP, U.S. counsel to the Republic. The validity of the Notes will be passed upon on behalf of the Initial Purchaser by BLP Abogados, S.A. de C.V., Salvadoran counsel to the Initial Purchaser, and by Clifford Chance US LLP, U.S. counsel to the Initial Purchaser. As to all matters of Salvadoran law, Arnold & Porter Kaye Scholer LLP will rely on the opinions of the Attorney General and Consortium Legal, and Clifford Chance US LLP, will rely upon the opinion of BLP Abogados, S.A. de C.V., the Attorney General and Consortium Legal.

GENERAL INFORMATION

1. The CUSIP numbers for the Regulation S 2030 Note and the Restricted 2030 Note are P01012 CF1 and 283875 CE0, respectively. The common codes for the Regulation S 2030 Note and the Restricted 2030 Note are 280751405 and 280751413, respectively, and the International Securities Identification Numbers ("ISIN") for the Regulation S 2030 Note and the Restricted 2030 Note are USP01012CF16 and US283875CE06, respectively.

The CUSIP numbers for the Regulation S Interest Only Note and the Restricted Interest Only Note are P01012 CE4 and 283875 CD2, respectively. The common codes for the Regulation S Interest Only Note and the Restricted Interest Only Note are 280751219 and 280750492, respectively, and the International Securities Identification Numbers ("ISIN") for the Regulation S Interest Only Note and the Restricted Interest Only Note are USP01012CE41and US283875CD23, respectively

2. The Republic has obtained all necessary consents, approvals and authorizations in the Republic of El Salvador in connection with the issue and performance of the Notes. The issue of the Notes is authorized under Legislative Decree No. 961 of the Republic's Legislative Assembly (as published in the *Diario Oficial* on February 29, 2024).

3. Currently there are no material arbitrations or litigations against the Republic.

4. Application will be made to list the Notes on the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF Market. So long as any of the Notes are listed on the Luxembourg Stock Exchange and the rules of the Exchange so require, the Republic will maintain a paying agent in Luxembourg.

5. 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 Listing Agent in Luxembourg so long as any of the Notes are listed on the Luxembourg Stock Exchange:

(a) the Indentures incorporating the forms of Global Notes and Note Certificates;

(b) copies of the Constitution of the Republic, and the Legislative Decrees of the Republic referred to in paragraph 2 above (in Spanish); and

(c) copies of the Republic's consolidated public sector fiscal accounts for the last calendar year (as and when available in English).

6. Other than as disclosed herein, 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 Notes since December 31, 2023.

7. The Republic of El Salvador's LEI code is: 529900AKDMUSFSDOM949.

ISSUER

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Boulevard Los Héroes No. 1231
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El Salvador

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L-2953 Luxembourg

The Republic of El Salvador

US$1,000,000,000

9.250% Notes due 2030

and

Macro Variable Interest Only Step-Up Notes

Offering Circular

BofA Securities

April 11, 2024