OFFERING MEMORANDUM

ECUADOR SOCIAL BOND S.À R.L.
U.S.$230,961,000.00 2.60% CLASS A SOCIAL NOTES DUE 2035

Ecuador Social Bond S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg as an unregulated securitisation company (*société de titrisation*) within the meaning of, and governed by, the Luxembourg law of 22 March 2004 on securitisation, as amended from time to time (the "**Securitisation Law**"), having its registered office at 46A, Avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg and registered with the RCS under number B240232 (the "**Issuer**"), will issue U.S.$230,961,000.00 aggregate principal amount of 2.60% notes (the "**Class A Notes**" or the "**Notes**") to finance the purchase of the Republic Notes (as defined herein). The holders of the Notes from time to time will be the "**Holders**" or the "**Class A Noteholders**". The Issuer will separately issue U.S.$326,852,000.00 aggregate principal amount of zero coupon notes (the "**Class B Notes**") in respect of which the Issuer has prepared a separate offering memorandum. The holders of the Class B Notes from time to time will be referred to in this offering memorandum as the "**Class B Noteholders**".

The Class A Notes and the Class B Notes (together the "**Repack Notes**") will be used to purchase the U.S.$400,000,000 7.25% social housing notes due 2035 (the "**Republic Notes**") issued by the Republic of Ecuador (the "**Republic**"). The Republic Notes will be direct issuances of the Republic of Ecuador. The Republic Notes are general, direct, unsecured, unsubordinated notes that benefit from the full faith and credit of the Republic, are governed under New York law, will rank equally in terms of priority with the Republic's External Indebtedness (other than the Excluded Indebtedness) and are independent of any credit or performance of the underlying social housing program. The proceeds of the Republic Notes are to be held in an escrow account and only to be applied by the Republic (as defined herein) towards a trust established for the purposes of financing social housing following the guidelines of the framework of the social housing program (the "**Program**") as set forth in the Operating Manual for the Program in Social Housing (the "**ROP**") at the Program website (https://www.finanzas.gob.ec/bono-social). This website is not incorporated by reference into this Offering Memorandum. The Inter-American Development Bank (the "**IDB**") will grant a partial credit guarantee on behalf of certain holders of the Republic Notes to support the Republic Notes (the "**IDB Guarantee**"). The Class A Notes will indirectly have the benefit of the IDB Guarantee. The Class B Notes will not, directly or indirectly, benefit from the IDB Guarantee. The terms of the Republic Notes as well as information with respect to the Republic, the IDB, risks relating to the Republic Notes and other matters, are set out at Annex B "*Information Relating to the Republic Notes, the IDB and the Republic*". This information is derived from the Offering Memorandum for the Republic Notes, dated January 16, 2020.

Interest on the Class A Notes will be payable on January 30 and July 30 of each year (each, an "**Interest Payment Date**"), commencing on July 30, 2020, in the amounts set forth in "*The Offering*" and "*Description of the Notes*". Principal on the Notes will be payable on the dates and in the amounts set forth in the Principal Payment Schedule in "*The Offering*". The Notes will have a final maturity date of January 30, 2035.

Investing in the Notes involves a significant degree of risk. See "*Risk Factors*" beginning on page 20.

Price of Class A Notes: 94.9126728192206%

The Notes have not been and will not be registered under the Securities Act, any state securities laws, or the securities laws of any other jurisdiction. Any representation to the contrary is a criminal offense. The Notes may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S ("**Regulation S**") under the Securities Act), except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold (i) within the United States or to U.S. persons, only to or for the account of persons that are "qualified institutional buyers" as defined in Rule 144A ("**Rule 144A**") ("**QIBs**"), under the Securities Act and (ii) outside the United States, to persons other than U.S. persons (as defined in Regulation S under the Securities Act), in compliance with Regulation S. In addition, the Notes are subject to restrictions on transfer and resale as further described in "*Plan of Distribution*" and "*Transfer Restrictions*". The Issuer is relying primarily on Rule 3a-7, as promulgated under the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**"), to avoid registration as an investment company thereunder.

This Offering Memorandum constitutes a prospectus for the purposes of Part IV of the Luxembourg law on prospectuses for securities dated 16 July 2019.

There is currently no public market for the Notes. The Luxembourg Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed, or reports contained in this Offering Memorandum and none of the foregoing are to be taken as an indication of the merits of the offering, the Issuer, the Republic, their associated companies (if any), their respective joint venture companies (if any) or the Notes. The Notes will be issued in minimum denominations of U.S.$200,000 each or integral multiples of U.S.$1,000 in excess thereof. Delivery of the Notes is expected to be made in book-entry form through the facilities of Euroclear Bank S.A./N.V., as operator of the Euroclear system ("**Euroclear**"), and Clearstream Banking, S.A. ("**Clearstream**"), on or about January 30, 2020 (the "**Note Closing Date**").

Sole Bookrunner and Social Notes Structuring Agent

GOLDMAN SACHS & CO. LLC

The date of this Offering Memorandum is January 16, 2020

TABLE OF CONTENTS

Page

NOTICE TO INVESTORS

This Offering Memorandum does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. This Offering Memorandum may only be used for the purpose for which it has been prepared. The Issuer reserves the right to withdraw this offering of the Notes at any time and the Issuer and Goldman Sachs & Co. LLC (the "**Placement Agent**") reserve the right to reject any commitment to purchase the Notes, in whole or in part, for any reason. The Placement Agent and certain related entities may acquire for their own account a portion of the Notes.

Except as otherwise provided in this paragraph, the Issuer is responsible for the information contained in this Offering Memorandum. None of the Placement Agent, the Repack Indenture Trustee or any of the other agents referred to herein makes any representations (express or implied) in connection with, nor will any of them have any responsibility for, the contents of this Offering Memorandum. After having made all reasonable inquiries, the Issuer, unless otherwise expressly stated, confirms that the information contained in this Offering Memorandum is true and correct in all material respects, that the opinions and intentions expressed in this Offering Memorandum are honestly held, that there are no other facts the omission of which would make this Offering Memorandum as a whole misleading and that the Issuer accepts responsibility for this Offering Memorandum accordingly. Any information sourced from a third party has been accurately reproduced and no facts have been omitted, which would render the reproduced information inaccurate or misleading. This Offering Memorandum contains summaries of certain documents, which summaries are believed to be accurate, but reference is made to the actual documents for complete information. All summaries are qualified in their entirety by such reference. Copies of certain documents referred to herein will be made available to prospective purchasers of the Notes, free of charge, upon request to the Issuer at CMSlegalteamLux@tmf-group.com. See "*Available Information*".

None of the Issuer, the Placement Agent or any of their respective affiliates has authorized any other person to provide you with different information or to make any representation not contained in this Offering Memorandum, and none of the Issuer, the Placement Agent or any of their respective affiliates takes any responsibility for any other information that others may give to you. You should assume that the information contained in this Offering Memorandum is accurate only as of the date on the front cover of this Offering Memorandum (or such earlier date as may be specified in this Offering Memorandum). Neither the delivery of this Offering Memorandum nor any sale made hereunder will under any circumstance imply that the information contained herein is correct as of any date after the date of this Offering Memorandum (or such earlier date as may be specified in this Offering Memorandum).

The Placement Agent and its affiliates make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Offering Memorandum. You should not rely upon the information contained in this Offering Memorandum, as a promise or representation by the Placement Agent or any of its affiliates or advisors whether as to the past, present or future.

The Notes have not been and will not be registered under the Securities Act, any state securities laws, or the securities laws of any other jurisdiction. Any representation to the contrary is a criminal offence. The Notes may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold (i) within the United States or to U.S. persons, only to or for the account of persons that are QIBs and (ii) outside the United States, to persons other than U.S. persons (as defined in Regulation S), in compliance with Regulation S. In addition, the Notes are subject to restrictions on transfer and resale. The Issuer intends to rely primarily on Rule 3a-7, as promulgated under the Investment Company Act ("**Rule 3a-7**"), to avoid being required to register as an investment company thereunder.

Neither the Issuer nor the Placement Agent is making an offer to sell the Notes in any jurisdiction except where an offer and sale is permitted. This Offering Memorandum is not an offer to sell, or a solicitation of an offer to buy, the Notes, and neither the Issuer nor the Placement Agent is offering or soliciting an offer to buy the Notes, in any jurisdiction where the offer, solicitation or sale would be unlawful or not permitted.

By purchasing Notes, you will be deemed to have made certain acknowledgments, representations and agreements as set forth under "*Transfer Restrictions*".

There is currently no market for the Notes and there can be no assurance that one will develop or, if one develops, that it will continue. You should be aware that you may be required to bear the financial risk of an investment in the Notes for an indefinite period of time. In making an investment decision, you must rely on your own examination of the Issuer, its business, the terms of the Notes and the terms of this offering, including the merits and risks involved. In the event that any Note issued in the form of a registered note in global form is exchanged for a note in physical, certificated form, an announcement of the exchange will be made by or on behalf of the Issuer through the Luxembourg Stock Exchange and such announcement will include all material information with respect to the delivery of the certificated Notes.

None of the Issuer, the Placement Agent, or any of their respective affiliates or representatives, makes any representation to any purchaser of the Notes regarding the legality of an investment in the Notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this Offering Memorandum to be legal, business or tax advice. You should consult your own counsel, accountant, business advisor and tax advisor for legal, tax, business and financial advice regarding any investment in the Notes.

You must comply with all applicable laws and regulations in force in your jurisdiction and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the Notes under the laws and regulations in force in your jurisdiction to which you are subject or in which you make such purchase, offer or sale and neither the Issuer nor the Placement Agent will have any responsibility therefor.

Neither the contents of our website nor of any website mentioned in this Offering Memorandum are part of, or are incorporated by reference into, this Offering Memorandum.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

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 UNITED KINGDOM. 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 2002/92/EC (AS AMENDED OR SUPERSEDED, THE "**INSURANCE MEDIATION 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, (THE "**PRIIPS REGULATION**") FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA OR THE UNITED KINGDOM HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR THE UNITED KINGDOM MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFERING MEMORANDUM IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "**FINANCIAL PROMOTION ORDER**"), (III) ARE PERSONS FALLING WITHIN ARTICLES 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT BANKING ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE "**FSMA**")) IN CONNECTION WITH THE ISSUE OR SALE OF ANY NOTES MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE

COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS OFFERING MEMORANDUM 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 OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFERING MEMORANDUM OR ANY OF ITS CONTENTS. THE PLACEMENT AGENT HAS REPRESENTED AND AGREED THAT (A) IT HAS ONLY COMMUNICATED OR CAUSED TO BE COMMUNICATED AND WILL ONLY COMMUNICATE OR CAUSE TO BE COMMUNICATED AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FSMA) RECEIVED BY IT IN CONNECTION WITH THE ISSUE OR SALE OF THE NOTES IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO THE ISSUER; AND (B) IT HAS COMPLIED AND WILL COMPLY WITH ALL APPLICABLE PROVISIONS OF THE FSMA WITH RESPECT TO ANYTHING DONE BY IT IN RELATION TO THE NOTES IN, FROM OR OTHERWISE INVOLVING THE UNITED KINGDOM.

AVAILABLE INFORMATION

The Issuer has derived disclosure contained in this Offering Memorandum regarding the Republic from publicly available documents. Neither the Issuer or the Placement Agent has participated in the preparation of publicly available documents with respect to the Republic in connection with the offering of the Notes. Neither the Issuer nor the Placement Agent makes any representation that this information, together with publicly available documents or any other publicly available information regarding the Republic is accurate or complete. Furthermore, the Issuer cannot give any assurance that all events occurring prior to the date hereof (including events that would affect the accuracy or completeness of the publicly available documents described above) that would affect the creditworthiness of the Republic have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning the Republic could affect its creditworthiness and therefore the trading prices of the Notes.

Any publicly available information regarding the Republic that is not included in this Offering Memorandum is not deemed part of or incorporated by reference into this Offering Memorandum.

In addition, information regarding the Republic may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents. There can be no assurance that any publicly available information with respect to the Republic will be up to date or otherwise accurate in all respects material to an investment of the Notes.

The Issuer is not subject to the information requirements of the Exchange Act and the Notes have not been, and will not be, registered under the Securities Act. In order to preserve the exemptions from registration under the Securities Act available to Holders for resale and transfers of the Notes under Rule 144A, the Issuer has agreed that while any Notes remain outstanding, the Issuer will make available, upon request, to any beneficial owner and any prospective purchaser of Notes the information required pursuant to Rule 144A(d)(4) under the Securities Act, unless at such time the Issuer is subject to the reporting requirement of Section 13 or 15(d) of the Exchange Act or exempt from such requirements pursuant to Rule 12g3-2(b) under the Exchange Act. Requests for information should be directed to the Issuer at its current registered office located at the offices of 46A, Avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg, at CMSlegalteamLux@tmf-group.com or at telephone number +352 4271 711.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a private limited liability company (société à responsabilité limitée) organized under the laws of the Grand Duchy of Luxembourg ("**Luxembourg**") and its assets are located primarily outside the United States. In addition, the members of the Issuer's managers are non-residents of the United States whose assets are located primarily outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon the Issuer or such persons or to enforce against them or the Issuer judgments of courts of the United States, whether predicated upon the civil liability provisions of the federal securities laws of the United States or other

laws of the United States or any state thereof. It may be possible for investors to effect service of process within Luxembourg upon the Issuer provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

Although there is no treaty between Luxembourg and the United States regarding the reciprocal enforcement of judgments, a valid, final, non-appealable and conclusive judgment against the Issuer obtained from a state or federal court of the United States, which judgment remains in full force and effect, may be enforced through a court of competent jurisdiction in Luxembourg, subject to compliance with the enforcement procedures set forth in article 678 et seq. of the Luxembourg New Code of Civil Procedure, as follows:

- the foreign court must properly have had jurisdiction (*compétence*) to hear and determine the matter, both according to its own laws and to the Luxembourg international private law conflict of jurisdiction rules;
- the foreign court must have acted in accordance with its own procedural rules and applied to the dispute the substantive law which would have been applied by Luxembourg courts;
- the decision of the foreign court must be enforceable (*exécutoire*) in the jurisdiction in which it was rendered;
- the principles of fair trial and due process have been complied with and in particular the judgment was granted following proceedings where the counterparty had the opportunity to appear, and if appeared, to present a defence; and
- the decisions and the considerations of the foreign court must not be contrary to Luxembourg international public policy rules or been obtained fraudulently and must not have been given in proceedings of a tax, penal or criminal nature (which would include awards of damages made under civil liabilities provisions of the U.S. federal securities laws, or other laws, to the extent that the same would be classified by Luxembourg courts as being of a penal or punitive nature (for example, fines or punitive damages)).

If an original action is brought in Luxembourg, without prejudice to specific conflict of law rules, Luxembourg courts may refuse to apply the designated law if the choice of such foreign law was not made bona fide or (i) if the foreign law was not pleaded and proved or (ii) if pleaded and proved, such foreign law was contrary to mandatory Luxembourg laws or incompatible with Luxembourg public policy rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought. Also, an *exequatur* may be refused in respect of punitive damages. In practice, Luxembourg courts tend not to review the merits of a foreign judgment, although there is no clear statutory prohibition of such review.

Further, in the event of any proceedings being brought in a Luxembourg court in respect of a monetary obligation expressed to be payable in a currency other than Euro, a Luxembourg court would have power to give a judgment expressed as an order to pay a currency other than Euro. However, enforcement of the judgment against any party in Luxembourg would be available only in Euro and for such purposes all claims or debts would be converted into Euro.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise specified, references herein to "**U.S. Dollars**," "**Dollars**," "**U.S.$**" or "**$**" are to United States dollars, the legal and official currency of the United States.

Financial Statements of the Issuer

The financial year of the Issuer begins on 1 January of each year and ends on 31 December of the same year save that the first financial year started on the date of incorporation of the Issuer and will end on 31 December 2020.

In accordance with the Companies Law and the Securitisation Law, the Issuer is obliged to publish its annual accounts on an annual basis following approval of the annual accounts by the annual general meeting of its shareholders. The Issuer is not required to and does not prepare interim financial statements.

Since the date of incorporation, the Issuer has not commenced operations and accordingly, no financial statements have been prepared as at the date of this offering memorandum.

Any future published annual audited financial statements prepared for the Issuer will be obtainable free of charge from the registered office of the Issuer.

Defined Terms

Capitalized terms used but not defined in this Offering Memorandum have the meanings specified in Annex A hereto.

Market Data and Other Information

The statistical data and information contained in this Offering Memorandum has been obtained from government bodies and from general publications. Although the Issuer believes that these sources of information are reliable and have been prepared on a reasonable basis, reflecting best estimates and judgments, neither the Issuer nor the Placement Agent has performed any independent verification with respect to such statistical data and information and, therefore, makes no representation as to the accuracy or completeness of such statistical data and information.

Rounding

Some figures included in this Offering Memorandum may not represent exact amounts because they were rounded up or down for ease of presentation. Accordingly, the total results shown in tables included elsewhere in this Offering Memorandum may not correspond to the exact arithmetic sum of the figures that precede them.

THE OFFERING

The Issuer: Ecuador Social Bond S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg as an unregulated securitisation company (*société de titrisation*) within the meaning of, and governed by, the Securitisation Law, having its registered office at 46A, Avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg, Grand Duchy of Luxembourg and registered with the RCS under number B240232.

Underlying Assets: U.S.$ 400,000,000 7.25% partially guaranteed amortising social housing notes issued by the Republic benefiting from a U.S.$ 300,000,000 partial credit guarantee issued by IDB and the related escrow agreement.

Notes: U.S.$ 230,961,000.00 2.60% Class A Notes due 2035

Principal Amount: U.S.$ 230,961,000.00

Issue Price: 94.9126728192206%

Denomination: U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof

Maturity Date: January 30, 2035, subject to an Early Redemption Event and Maturity Extension (as defined herein)

Weighted Average Life: 11.5 years

Principal Payment Schedule:

Principal Payment Date	Principal Payment Amount (*U.S.$*)	Outstanding Principal Amount of Class A Notes at End of Period[1] (*U.S.$*)
30-Jul-20	0.00	230,961,000.00
30-Jan-21	0.00	230,961,000.00
30-Jul-21	0.00	230,961,000.00
30-Jan-22	0.00	230,961,000.00
30-Jul-22	0.00	230,961,000.00
30-Jan-23	0.00	230,961,000.00
30-Jul-23	0.00	230,961,000.00
30-Jan-24	8,961,000.00	222,000,000.00
30-Jul-24	9,000,000.00	213,000,000.00
30-Jan-25	9,000,000.00	204,000,000.00
30-Jul-25	2,000,000.00	202,000,000.00
30-Jan-26	2,000,000.00	200,000,000.00

[1] The Outstanding Principal Amount of Class A Notes is determined after the payment of the relevant Principal Payment Amount and assumes all previous Principal Payment Amounts have been paid.

30-Jul-26	2,000,000.00	198,000,000.00
30-Jan-27	2,000,000.00	196,000,000.00
30-Jul-27	2,000,000.00	194,000,000.00
30-Jan-28	2,000,000.00	192,000,000.00
30-Jul-28	3,500,000.00	188,500,000.00
30-Jan-29	3,500,000.00	185,000,000.00
30-Jul-29	5,500,000.00	179,500,000.00
30-Jan-30	5,500,000.00	174,000,000.00
30-Jul-30	9,000,000.00	165,000,000.00
30-Jan-31	9,000,000.00	156,000,000.00
30-Jul-31	10,000,000.00	146,000,000.00
30-Jan-32	10,000,000.00	136,000,000.00
30-Jul-32	25,000,000.00	111,000,000.00
30-Jan-33	25,000,000.00	86,000,000.00
30-Jul-33	25,000,000.00	61,000,000.00
30-Jan-34	25,000,000.00	36,000,000.00
30-Jul-34	18,000,000.00	18,000,000.00
30-Jan-35	18,000,000.00	0.00

Coupon: 2.60%

Interest Payment Dates: January 30 and July 30 of each year, commencing on July 30, 2020.

Day-count fraction: 30/360

Interest Payment Schedule

Semiannual Payment Date	Note Balance (U.S.$) [2]	Interest Payment (U.S.$)
30-Jul-20	230,961,000.00	3,002,493.00
30-Jan-21	230,961,000.00	3,002,493.00
30-Jul-21	230,961,000.00	3,002,493.00
30-Jan-22	230,961,000.00	3,002,493.00
30-Jul-22	230,961,000.00	3,002,493.00
30-Jan-23	230,961,000.00	3,002,493.00
30-Jul-23	230,961,000.00	3,002,493.00
30-Jan-24	222,000,000.00	3,002,493.00

[2] The Note Balance is determined after the payment of the relevant Principal Payment Amount and assumes all previous Principal Payment Amounts have been paid.

30-Jul-24	213,000,000.00	2,886,000.00
30-Jan-25	204,000,000.00	2,769,000.00
30-Jul-25	202,000,000.00	2,652,000.00
30-Jan-26	200,000,000.00	2,626,000.00
30-Jul-26	198,000,000.00	2,600,000.00
30-Jan-27	196,000,000.00	2,574,000.00
30-Jul-27	194,000,000.00	2,548,000.00
30-Jan-28	192,000,000.00	2,522,000.00
30-Jul-28	188,500,000.00	2,496,000.00
30-Jan-29	185,000,000.00	2,450,500.00
30-Jul-29	179,500,000.00	2,405,000.00
30-Jan-30	174,000,000.00	2,333,500.00
30-Jul-30	165,000,000.00	2,262,000.00
30-Jan-31	156,000,000.00	2,145,000.00
30-Jul-31	146,000,000.00	2,028,000.00
30-Jan-32	136,000,000.00	1,898,000.00
30-Jul-32	111,000,000.00	1,768,000.00
30-Jan-33	86,000,000.00	1,443,000.00
30-Jul-33	61,000,000.00	1,118,000.00
30-Jan-34	36,000,000.00	793,000.00
30-Jul-34	18,000,000.00	468,000.00
30-Jan-35	0.00	234,000.00

Limitation on payments by the Issuer on the Class A Notes:

The Issuer will only make payments of principal and interest on the Class A Notes to the extent it has received equivalent amounts from the Republic under the Republic Notes or from the IDB under the IDB Guarantee or from the Early Disbursement Guarantor Escrow Account. If the Issuer only receives a partial payment under the Republic Notes, this will be applied in accordance with the Repack Notes Payment Waterfall and if the Issuer only receives a partial payment under the IDB Guarantee or from the Early Disbursement Guarantor Escrow Account, this will be applied in accordance with the Guarantor Payment Waterfall (see "*Description of the Notes—Application of Monies Collected by the Repack Indenture Trustee*").

If the Issuer receives a late payment of any amount under the Republic Notes from the Republic or under the IDB Guarantee from the IDB or from the Early Disbursement Guarantor Escrow Account, and some or all of such payment is attributable to the Class A Noteholders, the Issuer shall pay the relevant portion of such payment to the Class A Noteholders on the date on which such payment was received by the Issuer, subject to the Maturity Extension below.

Maturity Extension:

If on the Class A Notes Maturity Date, the Issuer has not received in full the principal amount payable under the Republic Notes that corresponds to the principal amount to be paid to the Class A Noteholders on the Class A Notes Maturity Date, the Class A Notes

Maturity Date will be extended to the earlier of:

1. the date on which the Issuer receives full and final payment of any amount claimed under the IDB Guarantee;
2. the date falling three (3) months after the original Class A Notes Maturity Date; and
3. any such other date agreed between the Issuer and Indenture Trustee acting on the instructions of the Holders of 100% of the aggregate outstanding balance of the Class A Notes.

Benefit of the IDB Guarantee and the IDB Escrow Agreement:

If the Republic fails to make a payment of principal and/or interest on the Republic Notes, and such non-payment leads to the Issuer not making a payment in full of a Principal Payment and/or an Interest Payment on the Class A Notes on the applicable Class A Notes Principal Payment Date and/or Class A Notes Interest Payment Date, then the Repack Indenture Trustee will, on behalf of the Issuer (in its capacity as a holder of the Republic Notes), instruct the Republic Indenture Trustee to submit an IDB Guarantee Demand Notice under the IDB Guarantee or in respect of the Early Disbursement Guarantor Escrow Account, as applicable.

In connection with the IDB Guarantee, there will also be an escrow account (the "**Early Disbursement Guarantor Escrow Account**") opened in the name of the Republic Indenture Trustee, into which the IDB may, upon occurrence of an IDB Early Disbursement Event, deposit an amount equal to the Maximum Guaranteed Amount in accordance with the terms of the IDB Guarantee and the IDB Escrow Agreement.

Accounts:

The Securities Intermediary will establish, on or prior to the Note Closing Date and pursuant to the direction of the Issuer, the following accounts (collectively, the "**Accounts**"), in the name of the Issuer:

Issuer Securities Account: The Republic Notes purchased by the Issuer will be deposited and held in the Issuer Securities Account.

Issuer Notes Escrow Account: The Issuer Notes Escrow Account will be funded with payments from the Republic to the Issuer of principal and interest under the Republic Notes and any amounts received in respect of an IDB Purchase Redemption Event. Payments on the Class A Notes that correspond to payments from the Republic on the Republic Notes will be made out of the Issuer Notes Escrow Account.

Issuer Guarantee Escrow Account: The Issuer Guarantee Escrow Account will be funded with payments from the IDB to the Issuer under the IDB Guarantee or from the Early Disbursement Guarantor Escrow Account, as applicable, in respect of principal and interest on the Republic Notes. Payments on the Class A Notes that correspond to payments from the IDB under the IDB Guarantee will be made out of the Issuer Guarantee Escrow Account.

Issuer Expense Account (USD): On or prior to the Note Closing Date U.S.$1,763,935 will be deposited in the Issuer Expense Account (USD), which will be used to pay ongoing fees over the life of the Notes, expenses and indemnity amounts during the tenor of the Notes in connection with, among other things, establishment and administration expenses of the Issuer, the Repack Indenture Trustee, the Collateral Agent, the Registrar, the Repack Paying Agent, the Transfer Agent, the Calculation Agent, the Securities Intermediary, the Auditor, rating agencies and other liabilities incurred by the Issuer, including in respect of the listing. Fees will be agreed upfront and capped (and the amount deposited will include a contingency buffer).

Issuer Expense Account (EUR): On or prior to the Note Closing Date the EUR equivalent (converted at the spot rate on the Note Closing Date minus any applicable

interchange fees) of U.S.$1,453,512.42 will be deposited in the Issuer Expense Account (EUR), which will be used to pay ongoing fees over the life of the Notes, expenses and indemnity amounts during the tenor of the notes in connection with, among other things, establishment and administration expenses of the Issuer, the Repack Indenture Trustee, the Collateral Agent, the Registrar, the Repack Paying Agent, the Transfer Agent, the Calculation Agent, the Securities Intermediary, the Auditor, rating agencies and the listing. Fees will be agreed upfront and capped (and the amount deposited will include a contingency buffer).

Debt Service Account: The Debt Service Account will be funded by transfers from the Issuer Notes Escrow Account and those funds will be used for the payment when due on any Note Payment Date of amounts due with respect to the relevant series of Notes.

Security:

The Issuer will, pursuant to the Repack Trust Indenture and the other Security Documents to which it is a party, grant a first-priority security interest in and mortgage on and pledge, assign, convey, deliver, transfer and set over to the Collateral Agent, to be held in trust for the benefit of the Repack Secured Parties (which includes, among others, the Class B Noteholders), all of the Issuer's right, title and interest in and to the following Properties of the Issuer, wherever located, whether now owned or acquired or created (all of the following being referred to as the "**Repack Notes Collateral**"):

- all principal, interest and additional amounts payable under the Republic Notes (other than any Republic Notes that are held in the form of Guaranteed Definitive Notes);
- the right to receive all sums or assets which may become payable under any claim, award or judgment relating to the Republic Notes from the Republic (other than relating to any Republic Notes that are held in the form of Guaranteed Definitive Notes);
- all of the rights, title and interest in and to all sums of money deposited into the Accounts (other than the Issuer Guarantee Escrow Account); and
- all of the rights, title and interest of the Issuer under the documentation for the Underlying Assets and the Notes to which the Issuer is a party or a beneficiary.

Additionally, the Issuer will, pursuant to the Repack Trust Indenture and the other Security Documents to which it is a party, grant a first-priority security interest in and mortgage on and pledge, assign, convey, deliver, transfer and set over to the Collateral Agent, to be held in trust for the benefit of the Class A Secured Parties, all of the Issuer's right, title and interest in and to the following Properties of the Issuer, wherever located, whether now owned or acquired or created (all of the following being referred to as the "**Class A Notes Collateral**", and together with the "**Repack Notes Collateral**", the "**Collateral**"):

- all principal, interest and additional amounts payable under the Republic Notes, solely to the extent that such Republic Notes are held in the form of Guaranteed Definitive Notes;
- the right to receive all sums or assets which may become payable under any claim, award or judgement relating to the Republic Notes from the Republic, solely to the extent that such Republic Notes are held in the form of Guaranteed Definitive Notes;
- all principal, interest and additional amounts payable under the IDB Guarantee or the IDB Escrow Agreement or in respect of the Early Disbursement

	Guarantor Escrow Account; • the right to receive all sums or assets which may become payable under any claim, award or judgement relating to the IDB Guarantee from the IDB or the IDB Escrow Agreement or in respect of the Early Disbursement Guarantor Escrow Account; • all of the rights, title and interest in and to all sums of money deposited into the Issuer Guarantee Escrow Account; and • all of the rights, title and interest of the Issuer under the documentation for the IDB Guarantee or the IDB Escrow Agreement to which the Issuer is a party or a beneficiary.
Ratings:	AAA by S&P/Fitch.
Governing Law:	New York law, except for terms concerning submissions to arbitration which will be governed by English law.
Dispute Resolution:	LCIA Arbitration.
Early Redemption Events:	Subject to the provisions of the Repack Trust Indenture, the Repack Notes may be redeemed early upon the occurrence of any of the following events: • in the case of the Class B Notes only, a Republic Notes Acceleration Event; • an IDB Guarantee Event; • an IDB Purchase Redemption Event; and • a Republic Notes Voluntary Prepayment Event. For a full description of each redemption event, see "*Description of the Notes—Early Redemption Events*".
Allocation of partial payments:	If the Issuer only receives a partial payment from the Republic in respect of a payment due from the Republic under the Republic Notes, such partial payment shall be allocated by the Issuer towards payment of any due but unpaid amounts under the Class A Notes and the Class B Notes (on a *pro rata* basis). If the Issuer only receives a partial payment from IDB in respect of a payment due from IDB under the IDB Guarantee, such partial payment shall be allocated by the Issuer towards payment of any due but unpaid amounts under the Class A Notes.
Events of Default:	The Repack Trust Indenture will provide for a right of acceleration of the Repack Notes and exercise of other remedies if any one or more of the following events has occurred and is continuing, subject to certain limitations and cure rights: • the Issuer fails to make any payment on the relevant series of Repack Notes when the same becomes due and payable, and such failure continues unremedied for three (3) Note Business Days after the date on which such payment was due and payable; • the Issuer fails to perform or observe any of its covenants or agreements contained in the Repack Trust Indenture or any of the other Finance Documents and such failure has or would be reasonably likely individually or in the aggregate to have a Material Adverse Effect on (a) the Issuer's ability to perform any of its material obligations under the Repack Trust Indenture, the

Repack Notes or any other Finance Document to which it is a party, (b) the legality, validity or priority of the Liens on the Collateral pursuant to the Repack Trust Indenture or any other Security Document, or (c) the legality, validity or enforceability of any of the Finance Documents);

- a Bankruptcy Event occurs with respect to the Issuer; or

- subject to the terms of the Repack Trust Indenture, (a) any of the Security Documents, once executed and delivered and, where appropriate, noticed to counterparties or registered in accordance with all applicable Law and the Finance Documents, (i) fails to provide the Secured Parties thereunder the Liens, remedies, powers, privileges or relative priority intended to be created thereby or ceases to be in full force and effect, or (ii) the validity thereof to all or the applicability thereof or any part of the Repack Notes, is disaffirmed by the Governmental Authority or any party thereto (other than such Secured Parties) or (b) any Collateral is attached by any Person (other than the Secured Parties in accordance with the Security Documents) and any such attachment is not removed within 45 days.

For a full description of each redemption event, see "*Description of the Notes—Defaults and Remedies—Events of Default*".

Covenants: The Indenture will contain covenants of the Issuer, including:

- *Payment of Repack Notes;*
- *Use of Proceeds;*
- *Payment of Taxes, Claims and Obligations;*
- *Compliance Certificate;*
- *Further Assurances;*
- *Waiver of Stay, Extension or Usury Laws;*
- *Inspection of Books, Property and Records;*
- *Ranking of Obligations;*
- *Debt;*
- *Liens;*
- *Restricted Payments;*
- *Compliance with Rule 144A;*
- *Subsidiaries; Deposits; Investments;*
- *Limitation on Guaranties;*
- *Prohibition on Fundamental Changes;*
- *No Consent to Changes in Republic Notes;*
- *Nature of Business;*

- *Modifications of Charter Documents; Additional Agreements;*
- *Capital Expenditures;*
- *Corporate Form, Compliance with Charter Documents;*
- *Compliance with Law, Contractual Obligations;*
- *Reporting Obligations;*
- *Principal Place of Business; Books and Records;*
- *Notice of Extraordinary Events;*
- *QEF Elections;*
- *Functions Performed by the Issuer;*
- *FATCA;*
- *Listing;* and
- *Name and Identifying Information*.

See "*Description of the Notes—Covenants*".

Withholding Taxes: All payments in respect of the Repack Notes will be made free and clear of, and without withholding or deduction for, any present or future Taxes (including, without limitation, duties, assessments or governmental charges), unless such withholding or deduction is required by applicable Law, as modified by the practice of any relevant governmental revenue authority. If the Issuer is so required to deduct or withhold any Taxes (including, without limitation, duties, assessments or governmental charges) from the payments in respect of the Repack Notes, then the Issuer will make such payments net of such Taxes (including, without limitation, duties, assessments or governmental charges) and will not be obligated to pay any additional amounts or be able to redeem the Repack Notes in respect of such withholding or deduction. See "*Risk Factors—Risks Relating to the Issuer—Certain payments on the Notes may be subject to U.S. withholding tax under FATCA*".

Transfer Restrictions: The Repack Notes have not been registered under the Securities Act and the Issuer has not been registered as an investment company under the Investment Company Act. Consequently, the Repack Notes are subject to certain restrictions on transfer. See "*Plan of Distribution*", "*Transfer Restrictions*", "*Notice to Investors*" and "*Description of the Notes—Form and Dating*".

Listing: Application has been made to list the Repack Notes on the Official List of the Luxembourg Stock Exchange and for admission to trading on the Euro MTF market.

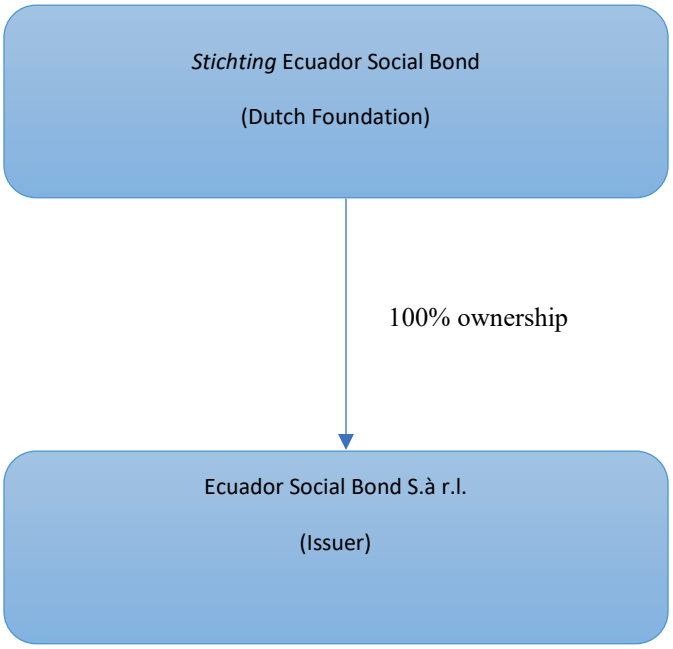
Sole Bookrunner, Social Notes Structuring Agent and Placement Agent: Goldman Sachs & Co. LLC and/or any of its Affiliates.

Repack Indenture Trustee, Collateral Agent, Registrar, Calculation Agent and Securities The Bank of New York Mellon.

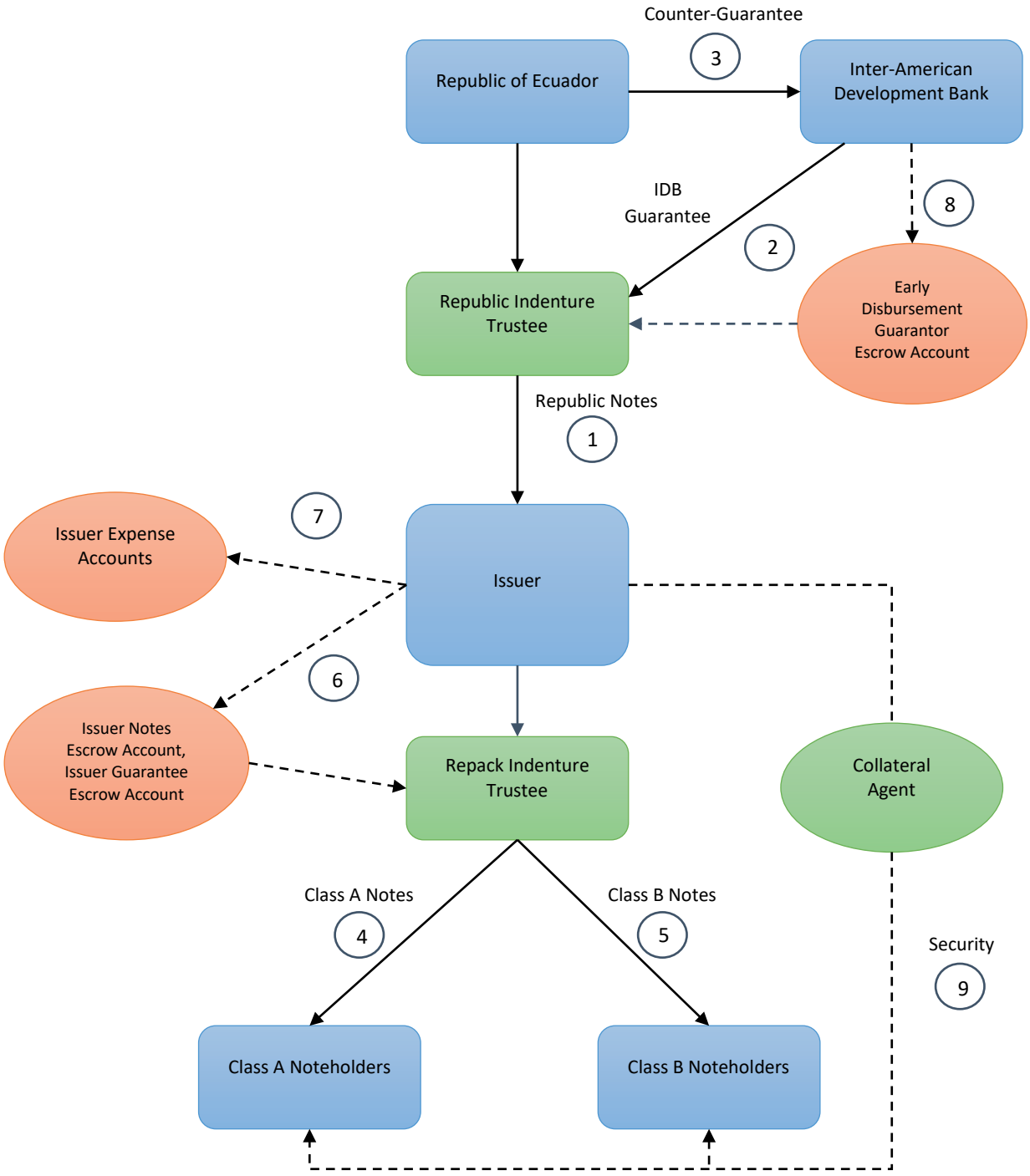
Intermediary as applicable	
Repack Paying Agent	The Bank of New York Mellon, London Branch.
Risk Factors:	Investing in the Repack Notes involves a significant degree of risk. See "*Risk Factors*".

Summary Overview of Contractual Arrangements for the Republic Notes and the Repack Notes

Diagrammaric Overview of the Issuer's Ownership Structure



Ecuador Social Bond – Structure Diagram



Notes

1. **Republic Notes**
   The Republic will issue $400mm Republic Notes which will be purchased on issuance by the Issuer.

2. **IDB Guarantee**
   The $300mm IDB Guarantee is simultaneously issued by the IDB in respect of the Republic Notes and made in favor of the Republic Indenture Trustee on behalf of the holders of the Republic Notes, and ultimately the Class A Noteholders.

3. **Counter-Guarantee**
   Counter-guarantee agreement between the Republic and the IDB, under which the Republic agrees to reimburse, indemnify and hold harmless the IDB for any payment made by the IDB under the IDB Guarantee.

4. **Class A Notes**
   Class A Notes purchased by the Class A Noteholders on the Issue Date.

5. **Class B Notes**
   Class B Notes purchased by the Class B Noteholders on the Issue Date.

6. **Issuer Notes Escrow Account**
   An account in the name of the Issuer which will be funded with payments from the Republic to the Issuer of principal and interest under the Republic Notes and from which corresponding payments will be made on the Class A Notes and the Class B Notes.

   Issuer Guarantee Escrow Account
   An account in the name of the Issuer which will be funded with all amounts it receives under the IDB Guarantee and from which corresponding payments will be made to the Class A Noteholders.

7. **Issuer Expense Accounts**
   On or prior to the Note Closing Date U.S.$1,763,935 will be deposited in the Issuer Expense Account (USD) and the EUR equivalent (converted at the spot rate on the Note Closing Date minus any applicable interchange fees) of U.S.$1,453,512.42 will be deposited in the Issuer Expense Account (EUR), which will be used to pay ongoing fees over the life of the Notes, expenses and indemnity amounts during the tenor of the Notes in connection with, among other things, establishment and administration expenses of the Issuer, the Repack Indenture Trustee, the Collateral Agent, the Registrar, the Repack Paying Agent, the Transfer Agent, the Calculation Agent, the Securities Intermediary, the Auditor, rating agencies and other liabilities incurred by the Issuer, including in respect of the listing. Fees will be agreed upfront and capped (and the amount deposited will include a contingency buffer).

8. **Early Disbursement Guarantor Escrow Account**
   An account in the name of the Republic Indenture Trustee into which, following the occurrence of an Early Disbursement Event, the IDB may deposit an amount equal to the Maximum Guaranteed Amount in accordance with the terms of the IDB Guarantee, and from which distributions are to be made in accordance with the IDB Escrow Agreement.

9. **Security over the Repack Notes Collateral and the Class A Notes Collateral**
   The Issuer will grant security over (a) the Repack Notes Collateral for the benefit of the Holders of both the Class A Notes and the Class B Notes and (b) the Class A Notes Collateral for the benefit of the Holders of Class A Notes only, in each case to be held by the Collateral Agent on behalf of the relevant Holders.

RISK FACTORS

Prospective purchasers should carefully consider all of the information set forth in this Offering Memorandum and, in particular, the following risk factors in connection with an investment in the Notes. This section does not describe all risks applicable to the Notes. Additional risks not presently known or that may currently be deemed immaterial may also adversely affect the Notes or an investment in the Notes. This section should be read together with the risk factors set forth in the Republic's disclosures attached as Annex B to this Offering Memorandum including in particular the risk factors set out therein.

Name of sub - section	***Page***	***Applicable to***	***Explanation***
(1) Risks related to the Issuer	21	All Repack Notes	This sub-section will be relevant for all Repack Notes, as it details the risk factors which the Issuer deems to be material in respect of itself as issuer of the Repack Notes and its ability to perform the obligations owed to the Holders.
(2) Risks related to the Repack Notes	23	All Repack Notes	This sub-section describes certain risks which may apply to all Repack Notes, such as optional early redemption.
(3) Risks related to the Class A Notes	29	The Class A Notes	This sub-section will be relevant for the Class A Notes specifically.
(4) Risks related to the Securities Intermediary	31	All Repack Notes	This sub-section will be relevant for all Repack Notes which are secured by the certain collateral held by the Securities Intermediary.
(5) Risks related to the Repack Paying Agent and the Calculation Agent (together, the "Agents")	31	All Repack Notes	This sub-section will be relevant for all Repack Notes.
(6) Risks associated with certain other miscellaneous features and terms of the Repack Notes, including settlement, discretions, Issuer substitution and amendments, amongst others	32	All Repack Notes	This sub-section will be relevant for all Repack Notes, as it details the risk factors which the Issuer deems to be material in respect of the discretion of the Repack Indenture Trustee.
(7) Risks related to the legal framework of the Repack Notes	32	All Repack Notes	This sub-section will be relevant for all Repack Notes, as it details the risk factors which the Issuer deems to be material in respect of legal framework of the Repack Notes.

1. Risks Relating to the Issuer

The Issuer is a special purpose vehicle.

The Issuer is incorporated in Luxembourg as a securitisation company (*société de titrisation*) in the form of a private limited liability company (s*ociété à responsabilité limitée*) within the meaning of the Securitisation Law. Its only business is the issuance of the Repack Notes for the purposes of purchasing assets and entering into related derivatives and other transactions, in each case within the limits of the Securitisation Law.

The Issuer will covenant in the Repack Trust Indenture that, as long as any of the Repack Notes remain outstanding, without the prior written consent of the Repack Indenture Trustee, it will not have any subsidiaries, consolidate or merge with any other person, have any employees, issue any shares (other than such shares as were in issue on the date of its incorporation), make any distributions to its shareholders, declare any dividends, purchase, own, lease or otherwise acquire any real property (including office premises or like facilities) or acquire any securities or shareholdings from its shareholders. Accordingly, the Issuer has, and will have, no assets other than its issued and paid-up share capital, such fees (as agreed) payable to it in connection with the issue of the Repack Notes or entry into of other obligations from time to time and any other assets on which the Repack Notes or other obligations are secured.

The Issuer has no material assets or prior operating history.

The Repack Notes are direct, secured, limited recourse obligations of the Issuer. Payments due in respect of the Repack Notes will be made solely out of amounts received by or on behalf of the Issuer in respect of the Underlying Assets. The Issuer will have no other material assets or sources of revenue available for payment of any of its obligations under the Repack Notes. If the Republic does not pay under the Republic Notes, the Issuer will not be entitled to other amounts that it may be required to pay under the Repack Notes. This will therefore have a material adverse effect on the ability of the Issuer to make payments under the Notes.

The Issuer is structured to be insolvency and bankruptcy-remote, but it is not insolvency and bankruptcy-proof; consequences of insolvency proceedings in relation to the Issuer.

The Issuer is structured to be insolvency and bankruptcy-remote and will contract with parties who agree not to make any application for the commencement of winding-up or bankruptcy or similar proceedings under the applicable Laws of any jurisdiction against the Issuer. The Issuer is permitted (as provided for in the Repack Trust Indenture) to contract with parties who agree not to make any application for the commencement of winding-up or bankruptcy or similar proceedings under the applicable Laws of any jurisdiction against the Issuer.

However, there is no guarantee that all claims that arise against the Issuer will be on a non-petition basis, in particular where claims arise from third parties that have no direct contractual relationship with the Issuer or if the Issuer fails for any reason to comply with its contractual obligations (including the obligation only to contract on a "non-petition" basis). A creditor that has not accepted non-petition provisions in respect of the Issuer may be entitled to make an application for the commencement of insolvency proceedings against the Issuer. The commencement of such proceedings may entitle such a creditor to terminate contracts with the Issuer and claim damages for any loss suffered as a result of such early termination.

The Issuer may be declared insolvent upon petition by a creditor of the Issuer in Luxembourg or at the request of the Issuer or by the Luxembourg district court on its own initiative in accordance with the relevant provisions of Luxembourg insolvency law.

If the Issuer is declared insolvent, the Luxembourg courts will appoint a bankruptcy receiver (curateur) who shall be obliged to take such action as he deems to be in the best interest of the Issuer and of all creditors of the Issuer. The claims of certain preferred creditors (including any statutory liens mandatorily preferred by law) may rank senior to the claims of Holders in such circumstances.

If as a result of such claims a shortfall arises, such shortfall will be borne by the Holders and the Transaction Parties in accordance with the priority of payment provisions contained in the relevant Transaction Documents.

In the insolvency of the Issuer certain creditors may be preferred to the Transaction Parties under Luxembourg law.

If a Luxembourg court were required to analyse the subordination and priority of payment provisions contained in the relevant Transaction Documents and the Repack Notes in the context of insolvency proceedings initiated against the Issuer, the court may disregard the rules on priority of payment provided for in such documents, and apply mandatory rules of priority of payments applicable in Luxembourg insolvency proceedings to the extent that certain third parties have legal preference rights.

Such preferred creditors include the bankruptcy receiver (curateur) and the tax authorities.

Luxembourg bankruptcy laws may be less favorable to investors than bankruptcy and insolvency laws in other jurisdictions

The Issuer is a Luxembourg private limited liability company (*société à responsabilité limitée*), incorporated and existing under Luxembourg law, and as such any insolvency proceedings applicable to such a company are in principle governed by Luxembourg law. The insolvency laws of Luxembourg may not be as favorable to creditors' interests as creditors as the laws of the United States or other jurisdictions with which investors may be more familiar.

The Issuer may be subject to anti-money laundering legislation which if violated could materially and adversely affect the timing and amount of payments made by the Issuer.

The Issuer may be subject to legislation and regulations relating to corrupt and illegal payments and money laundering as well as laws, sanctions and restrictions relation to certain individuals and countries. If the Issuer were determined by the relevant authorities to be in violation of any such legislation or regulations, it could become subject to significant penalties, including in certain cases criminal penalties.

Any such violation could have a material and adverse effect on the timing and amount of payments made by the Issuer to Holders in respect of the Repack Notes.

Changes in tax laws in Luxembourg may impact tax treatment of the Issuer.

The Issuer has been advised by its Luxembourg counsel that payments under the Repack Notes should not be subject to Luxembourg withholding tax.

The Luxembourg tax treatment of the Issuer is based on Luxembourg law in effect as of the date of this Offering Memorandum. No assurance can however be given as to the impact of any possible judicial decision or change to Luxembourg law or administrative practice after the date of this Offering Memorandum.

Evolution of international fiscal policy.

Luxembourg has concluded a number of double taxation treaties with other member states. It may be necessary or desirable for the Issuer to seek to rely on such treaties particularly in respect of income and gains of the Issuer. Whilst each double taxation treaty needs to be considered individually taking into account fiscal practices primarily of the country from which relief is sought, a number of requirements need to be met. These requirements may include ensuring that an entity that is resident in Luxembourg, is subject to taxation on income and gains in Luxembourg and is also beneficial owner of such income and gains.

Fiscal policy and practice is constantly evolving and at present the pace of evolution has quickened due to a number of developments which include, but are not limited to, the Organisation for Economic Co-operation and Development ("**OECD**") base erosion and profit shifting project. Any fiscal policy change may or may not be accompanied by a formal announcement by any fiscal authority or the OECD. As a result, there can be no certainty that the Issuer will be able to rely on double taxation treaties because fiscal practice in relation to the construction of double taxation treaties and the operation of the administrative processes surrounding those treaties may be subject to change.

Transposition of the Anti-Tax Avoidance Directive in Luxembourg law.

As part of its anti-tax avoidance package the EU Commission published a draft Anti-Tax Avoidance Directive on 28 January 2016, which was formally adopted by the EC Council on 12 July 2016 in Council Directive (EU) 2016/1164 (the "**ATAD I**"). The Council Directive (EU) 2017/952 of 29 May 2017 then amended the ATAD I as regards hybrid mismatches with third countries (the "**ATAD II**").

In this respect, the Luxembourg law dated 21 December 2018 (the "**ATAD I Law**") transposed the ATAD I into Luxembourg legislation. The ATAD I Law may have an impact on the tax position of the Issuer (including on its performance). Amongst the measures contained in the ATAD I Law is an interest deductibility limitation rule similar to the recommendation contained in the BEPS Action 4 proposals. The ATAD I Law provides that "exceeding borrowing costs" in excess of the higher of (a) EUR 3,000,000 or (b) 30% of an entity's adjusted earnings before interest, tax, depreciation and amortization ("**EBITDA**") will not be deductible in the year in which they are incurred but would remain available for carry forward. "Exceeding borrowing costs" is a defined term which relates to the amount by which the tax-deductible borrowing costs exceed "interest revenues and other equivalent taxable revenues from financial assets".

Furthermore, the Luxembourg law dated 20 December 2019 (the "**ATAD II Law**") transposed into Luxembourg legislation the ATAD II. The ATAD II Law extends the scope of the ATAD I Law which applied to situations of double deduction or deduction without inclusion resulting from the use of hybrid financial instruments or hybrid entities. The ATAD II requires EU Member States to either deny deduction of payments, expenses or losses or include payments as taxable income, in case of hybrid mismatches. It includes situations involving permanent establishments, reverse hybrids, imported mismatches, hybrid transfers and dual residence.

The ATAD II Law applies as of 1 January 2020, except for the provision on reverse hybrid mismatches which will apply as of 1 January 2022.The exact impact of the above mentioned new rules would need to be monitored on a regular basis, notably in the light of any future guidance from the Luxembourg tax authorities.

Regulation of the Issuer by any regulatory authority.

Save for registration with the trade and companies register in Luxembourg, the Issuer is not required to be licensed, registered or authorised under any current securities, commodities, insurance or banking laws or regulations of its jurisdiction of incorporation. There is no assurance, however, that in the future such regulatory authorities would not take a contrary view regarding the applicability of any such laws or regulations to the Issuer. There is also no assurance that the regulatory authorities in other jurisdictions would not require the Issuer to be licensed or authorised under any securities, commodities, insurance or banking laws or regulations of those jurisdictions. Any requirement to be licensed or authorised could have an adverse effect on the Issuer and on the Holders of the Repack Notes.

The Issuer relies on agents and other entities to implement procedures contemplated in the Finance Documents.

Since the Issuer is a special purpose vehicle, the procedures contemplated in the Finance Documents will be carried out by agents and other entities appointed to act on its behalf for such purpose. The Issuer will not have any role in determining or verifying the data or related calculations received. Furthermore, certain agents and other entities will, in turn, rely on information provided by others when performing their duties under the Finance Documents. In addition, the Holders will rely on certain agents and other entities to execute the instructions received and their other obligations promptly and accurately. Errors may occur when the agents and other entities execute the instructions and their other obligations related to the Finance Documents, and these errors may delay or prevent the payment of amounts required by the Finance Documents, which may undermine the ability of the Issuer to make timely payments under the Repack Notes.

2. Risks Relating to the Repack Notes

The Issuer's obligations under the Repack Notes and the Transaction Documents are limited recourse.

To make payments under the Repack Notes, the Issuer will utilise the cash flows (if any) from the Underlying Assets. If the payments received by the Issuer are not sufficient to make all payments due in respect of the Repack Notes, the obligations of the Issuer in respect of the Repack Notes will be limited to the cash flows (if any) from the Underlying Assets.

The Holders of the Repack Notes will have no recourse to other assets of the Issuer, the Republic or the IDB and will have no right to enforce compliance by the Republic and/or the IDB with the terms of the Repack Notes or any rights of set-off against the Republic and/or the IDB. The proceeds available for the repayment of the Repack Notes at any particular time may not be sufficient to cover all amounts that would otherwise be payable in respect of the Repack Notes. If the proceeds of the realisation of the Repack Notes Collateral and (in the case of Class A Notes only) the Class A Notes Collateral prove insufficient to make payments or deliveries in respect of the Repack Notes, no other assets will be available for payment or delivery in respect of the shortfall. Following distribution of the proceeds of such realisation any outstanding claim against the Issuer in relation to the Repack Notes will be extinguished. No debt will be owed by the Issuer in respect of such claim. In such circumstances Holders of the Repack Notes may lose some or all of their investment in the Repack Notes.

No ownership rights.

An investment in the Repack Notes is not the same as an investment in the Underlying Assets (or any component of the Underlying Assets) because the Issuer is the holder of the Underlying Assets and accordingly an investment in the Notes does not confer any legal or beneficial interest in any of the Underlying Assets (or any component of the Underlying Assets). Accordingly, **an investor in the Repack Notes may not benefit from the same rights as a person investing directly in the Underlying Assets**.

Risk of early redemption.

The Repack Notes may be mandatorily or optionally redeemed prior to their scheduled Maturity Date for a number of

reasons. Investors should take particular note of the following events which may result in early redemption:

- Republic Notes Acceleration Event (in the case of Class B Notes only)

  Following a Republic Notes Acceleration Event, Class B Noteholders may, at any time, require that the Issuer redeems their Class B Notes against physical delivery to such holder of Republic Notes in the form of definitive notes. The occurrence of a Republic Notes Acceleration Event shall only affect the Class B Notes and shall not lead to the redemption or cancellation of the Class A Notes.

- IDB Guarantee Event

  Following the occurrence of an IDB Guarantee Event, the Issuer shall, if directed by 75% of the Class A Noteholders, redeem the Class A Notes against delivery of Republic Notes with a principal amount equal to the principal amount of the Class A Notes being redeemed. In such event, the Class B Notes will be redeemed against *pro rata* delivery of any remaining Republic Notes held by the Issuer.

- IDB Purchase Redemption Event

  Following the occurrence of the IDB Purchase Redemption Event, the Issuer shall (1) redeem all of the Class A Notes for a price equal to par plus accrued interest (the "**Class A Notes IDB Purchase Price**") and (2) redeem all of the Class B Notes (to the extent not already redeemed) for (i) an amount equal to the IDB Purchase Price *minus* the Class A Notes IDB Purchase Price and (ii) against *pro rata* delivery to the Class B Noteholders of the remaining Republic Notes that are not sold to the IDB in connection with the IDB Purchase Redemption Event.

- Republic Notes Voluntary Prepayment Event

  Following the occurrence of the Republic Voluntary Prepayment Option, the Issuer shall redeem (1) all of the Class A Notes for a price (the "**Class A Notes Voluntary Prepayment Price**") equal to the greater of (i) 100% of the principal amount of such Class A Notes and (ii) the sum of the present value of each remaining scheduled payment of principal and interest thereon (without double counting of any interest accrued and paid to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Class A Notes Treasury Rate *plus* 50 basis points, *plus* in each case accrued and unpaid interest to the redemption date on the Class A Notes, and (2) redeem all of the Class B Notes for a price equal to (i) the Republic Notes Voluntary Prepayment Price *minus* (ii) the Class A Notes Voluntary Prepayment Price.

For a full description of each redemption event, see "*Description of the Notes—Early Redemption Events*".

The Holders will be paid the relevant redemption amount after payment of any priority claims. Such priority claims include payment of the expenses relating to the liquidation. The amount received by investors may be lower than the final redemption amount it would have received at maturity and/or the original investment amount in the Repack Notes.

The proceeds and/or assets available following payment of any such priority claims may not be sufficient to pay or deliver, as the case may be, in full the amounts that the Holders would expect to receive if the Repack Notes were redeemed in accordance with their terms on the Maturity Date, and there is no guarantee that Holders will receive back the amount, or assets with a value equal to the amount, they originally invested.

Following an early redemption of the Repack Notes as a result of an Early Redemption Event or an Event of Default, a Holder may not be able to reinvest the proceeds in a way that generates a level of return as high as that on the Repack Notes and may only be able to do so at a significantly lower rate of return. The Holders should consider such reinvestment risk in light of other investments that available to it.

The yield to maturity of the Repack Notes may be affected by any prepayment, redemption or acceleration.

A Holder's actual yield on the Repack Notes may be reduced from the stated yield by the timing of any such prepayment, redemption or acceleration. In such circumstances, the investment expectations of the Holder may not be met.

The power of the Repack Indenture Trustee and/or the Calculation Agent may not be enforceable under Luxembourg law.

Certain powers conferred on the Repack Indenture Trustee**,** any receiver appointed by the Repack Indenture Trustee, or the Calculation Agent under the Repack Trust Indenture may not be enforceable under Luxembourg law.

If a particular power conferred on the Repack Indenture Trustee is not enforceable under Luxembourg law, this may result in a delay in the realisation of the Repack Notes Collateral and (in the case of Class A Notes only) the Class A Notes Collateral following an Enforcement Event and in making payments in respect of the Repack Notes. This may result in losses to the Holders.

Holders have no right to take direct action against the Issuer.

The Holders are not entitled to proceed directly against the Issuer in relation to any breach of the terms of the Repack Trust Indenture or the Repack Notes (including following the occurrence of an Event of Default in respect of the Issuer). The only circumstance in which Holders may take such action is where the Repack Indenture Trustee, having become bound to proceed in accordance with the terms of the Repack Trust Indenture, fails to do so within a reasonable period and such failure is continuing.

Only the Collateral Agent may enforce the security over the Repack Notes Collateral and the Class A Notes Collateral.

The Holders are not permitted to enforce the security over the Repack Notes Collateral or the Class A Notes Collateral. Only the Collateral Agent may enforce the security over the Repack Notes Collateral or the Class A Notes Collateral in accordance with, and subject to, the terms of the Repack Trust Indenture. The Collateral Agent will be required to enforce the security if requested by the Majority Holders (directly or through the Repack Indenture Trustee), subject to the Collateral Agent (and the Repack Indenture Trustee) being indemnified and/or secured and/or pre-funded to its satisfaction and the Collateral Agent's and Repack Indenture Trustee's rights and protections under the Repack Trust Indenture.

The interests of particular Holders (who request or direct the enforcement of the security) may not coincide with those of other Holders. Enforcement of the security on the request or direction of some of the Holders may not be in the best interests of some or all of the Holders.

Holders will be responsible for indemnifying and/or securing and/or pre-funding the Collateral Agent and the Repack Indenture Trustee if required in order to direct such entity to take enforcement action.

The Collateral Agent and the Repack Indenture Trustee may take certain actions in respect of the Repack Notes, in particular if the security over the Repack Notes Collateral and (in the case of Class A Notes only) the Class A Notes Collateral in respect of such Repack Notes becomes enforceable under the Security Documents.

Prior to taking such action, the Collateral Agent and the Repack Indenture Trustee may require to be indemnified and/or secured and/or pre-funded to its satisfaction. If the Collateral Agent or the Repack Indenture Trustee, as applicable, is not so indemnified and/or secured and/or pre-funded it may decide not to take such action. Such inaction will not constitute a breach by it of its obligations under the Repack Trust Indenture. Consequently, the Holders would have to arrange for such indemnity and/or security and/or pre-funding. Holders should therefore be prepared to bear the costs associated with any such indemnity and/or security and/or pre-funding or be prepared to accept the consequences of any such inaction by the Collateral Agent or the Repack Indenture Trustee.

Any such inaction by the Collateral Agent or the Repack Indenture Trustee, as applicable, shall not entitle Holders to take action against the Issuer for any breach of the Repack Trust Indenture or the Repack Notes by the Issuer. As a result Holders may have to incur additional costs and expenses (which may be substantial) in order to realise some or all of their investment in the Repack Notes.

The Issuer may not have access to sufficient funds to pay unanticipated liabilities.

On or around the Note Closing Date, the EUR equivalent (converted at the spot rate on the Note Closing Date minus any applicable interchange fees) of U.S.$1,453,512.42 and U.S.$1,763,935 will be deposited in the Issuer Expense Account (EUR) and Issuer Expense Account (USD), respectively, which will be used to pay not only the fees, costs, and expenses expected to be due to the respective agents, Rating Agencies and other service providers through the Maturity Date, but also any liabilities or expenses over and above such anticipated costs (including tax liabilities and indemnities), the amount deposited will include a contingency buffer. For example, while the Issuer believes that it operates on an arm's length basis and intends to continue doing so, tax authorities may challenge its position and could require the Issuer to adjust its taxable basis which could result in a higher tax liability than expected. In the event of an acceleration of the Repack Notes or bankruptcy of the Issuer, tax claims, administrative costs and expenses, fines or penalties and other amounts payable by the Issuer to the Agents may exceed the amounts standing to the credit of the Issuer Expense Accounts, and such amounts would rank higher in priority than the rights of the Holders to receive payments under the Repack Notes.

Information risk.

Information is available in the public domain regarding the Underlying Assets. The Issuer has made no investigation regarding such Underlying Assets and this Offering Memorandum contains no information regarding such Underlying Assets except for such information which will be included in Annex B (given that the date as of which the information set out in Annex B was prepared is January 16, 2020).

There can be no assurance that all material events regarding the Underlying Assets occurring prior to the relevant issue date of the Repack Notes that would affect the value of such Underlying Asset have been disclosed in this Offering Memorandum. Subsequent disclosure of any such events or the failure to disclose material events concerning the Underlying Assets could affect the trading price and amounts payable in respect of the Repack Notes.

There are limitations on the exercise of remedies upon an Event of Default under the Repack Trust Indenture.

Subject to certain exceptions, in the event of an acceleration of the maturity of the Repack Notes following an Event of Default, Holders will only be entitled to receive payments to the extent amounts received under the Republic Notes are available in the Accounts and to the extent not required to be applied to other uses. See "*Description of the Notes—Defaults and Remedies—Events of Default*".

Legal and practical considerations may limit foreclosure or enforcement of rights.

Substantial rights of the Issuer are governed by Luxembourg law. Additionally, because the Issuer is incorporated under the laws of Luxembourg, the Holders and the Issuer, respectively, may face difficulties in protecting their interests and their ability to protect their rights through foreign courts may be limited. Laws relating to the creation and perfection of security interests in the Republic differ from those in the United States and may be subject to restrictions and limitations. These restrictions and limitations may prevent, limit and/or delay the enforcement of the Issuer's rights and may materially impair the claims of the Holders. Any delay in enforcing the Issuer's rights or impairment of the Holders' claims could also diminish the value of the Holders' interest in the Repack Notes Collateral and (in the case of Class A Notes only) the Class A Notes Collateral due, among other things, to the existence of other potential creditors and claimants. In addition, the ability of the Repack Indenture Trustee to require the foreclosure on or otherwise enforce the security and other rights in respect of the Repack Notes Collateral and (in the case of Class A Notes only) the Class A Notes Collateral at the direction of the relevant Holders may be limited by both practical and legal considerations, including restrictions and delays arising under the laws of foreign jurisdictions and the effect of possible insolvency or similar proceedings under the laws of any of the jurisdictions of incorporation or organization of any of the entities involved in the collateral arrangements. As a result, the Repack Indenture Trustee may encounter material limitations or delays in the foreclosure or enforcement of rights with respect to the Repack Notes Collateral and (in the case of Class A Notes only) the Class A Notes Collateral. See "*Enforcement of Civil Liabilities*".

The Repack Notes may not be a suitable investment for all investors.

Each potential investor in the Repack Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Repack Notes, the merits and risks of investing in the Repack Notes and the information contained in this Offering Memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Repack Notes and the impact the Repack Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Repack Notes;
- understand thoroughly the terms of the Repack Notes, the IDB Guarantee and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent (i) the Repack Notes are suitable investments for it; (ii) the Repack Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Repack Notes.

The use of proceeds of the Republic Notes may not meet investors' sustainable investment criteria

The Republic intends to apply the proceeds from the Republic Notes specifically to finance social housing projects. In respect of any notes issued with a specific use of proceeds, such as these Class A Notes, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor.

Prospective investors should have regard to the information set out in this Offering Circular regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in the Class A Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer or any other person, that the use of such proceeds for any social projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements or meet investment criteria or guidelines with which such investor or its investments are required to comply or that no adverse social or other impacts will occur during the implementation of such projects. Furthermore, it should be noted that there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "social" project or as to what precise attributes are required for a particular project to be defined as "social", nor can any assurance be given that such a clear definition or consensus will develop over time.

In the event that the Class A Notes are listed or admitted to trading on any dedicated "social" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Republic, the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements or meets investment criteria or guidelines with which such investor or its investments are required to comply. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. No representation or assurance is given or made by the Republic, the Issuer or any other person that any such listing or admission to trading will be obtained or maintained in respect of the Class A Notes.

Proceeds of the Republic Notes will initially be received in the Republic's sole Treasury account at the Central Bank of Ecuador, it is expected that the proceeds of the Republic Notes will be transferred immediately and held in a trust account established for the purposes of financing social housing (see "—Use of Proceeds"). Pending disbursement from the trust account, and subject to maintaining in the trust account sufficient funds to cover participating financial institutions' projected funding demands for six months, the proceeds of the Republic Notes may be held in permitted investments, which could include CETES issued by the Ministry of Economy and Finance, CETES issued by other public financial entities and bonds issued by Ecuador. Fluctuations in the value of such investment could reduce the amount on deposit in the trust account and therefore the amount available to finance social housing. There can be no assurance that the use of proceeds from the Republic Notes will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that such proceeds will be totally or partially disbursed for such projects. Any such event or failure by the Republic will not constitute an event of default under the Republic Notes.

There are restrictions on transfers and resale of the Repack Notes.

The Repack Notes have not been and will not be registered under the Securities Act, any state securities laws, or the securities laws of any other jurisdiction. The Repack Notes may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Repack Notes are being offered and sold (i) within the United States or to U.S. persons, only to or for the account of persons that are QIBs and (ii) outside the United States, to persons other than U.S. persons (as defined in Regulation S), in compliance with Regulation S. In addition, the Repack Notes are subject to restrictions on transfer and resale. The Issuer intends to rely primarily on Rule 3a-7, as promulgated under the Investment Company Act, to avoid being required to register as an investment company thereunder.

Prospective investors should be aware that purchasers of the Repack Notes may be required to bear the financial risks of any investment in the Repack Notes for an indefinite period of time. The Repack Notes have not been, and will not be, registered under the securities laws of any jurisdiction. See "*Notice to Investors*" for more information about these and other transfer restrictions, including those under U.S. securities laws.

An active trading market for any class of the Repack Notes may not develop.

Currently there is no trading market for the Repack Notes and there is no assurance that a trading market for any class of the Repack Notes will develop or be maintained. Assuming approval-in-principle has been granted by the Luxembourg Stock Exchange for the listing of the Repack Notes on the Official List of the Luxembourg Stock Exchange and admission to trading on the Euro MTF market, there can be no assurance that the application will be accepted. If a trading market for the Repack Notes were to develop, the Repack Notes may trade at a discount from their initial offering price, depending upon many factors, including prevailing interest rates, the trading market for similar securities, general economic conditions (including in Ecuador) and the Issuer's financial condition. The Placement Agent is not under any obligation to make a market with respect to the Repack Notes. Accordingly, no assurance can be given as to the development or liquidity of any trading market for the Repack Notes. If an active market for the Repack Notes does not develop or is interrupted, the market price and liquidity of the Repack Notes may be adversely affected.

Exchange rate risks and exchange controls.

The Issuer will receive payments from the Republic or the IDB in U.S. dollars and will pay principal and (in the case of the Class A Notes) interest on the Repack Notes in U.S. dollars. However, if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars, this presents certain risks relating to currency conversions. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or appreciation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease (1) the Investor's Currency-equivalent yield on the Repack Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Repack Notes and (3) the Investor's Currency-equivalent market value of the Repack Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, Holders may receive less interest or principal than expected, or no interest or principal.

The Repack Notes will not be freely transferable.

The Repack Notes have not been and will not be registered under the Securities Act, any state securities laws, or the securities laws of any other jurisdiction. The Repack Notes may not be offered or sold in the United States or to U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Repack Notes are being offered and sold (i) within the United States or to U.S. persons, only to or for the account of persons that are QIBs and (ii) outside the United States, to persons other than U.S. persons outside the United States in compliance with Regulation S. See "*Transfer Restrictions*".

The ratings of the Repack Notes may be lowered or withdrawn for any reason.

The credit ratings of the Repack Notes may not reflect the potential impact of all risks relating to the value of the Repack Notes. In addition, the credit ratings of the Repack Notes depend on the rating of the Underlying Assets and may change after issuance. Such ratings are limited in scope and do not address all material risks relating to an investment in the Repack Notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. As part of the process of obtaining ratings for the Repack Notes offered hereby, initial discussions were had with and certain materials submitted to certain rating agencies. Based on preliminary feedback from those rating agencies at that time, S&P and Fitch were selected to rate the Repack Notes offered hereby. Had other rating agencies been selected, the ratings those agencies assigned to the Repack Notes may have been lower than the ratings ultimately received from S&P and Fitch. Real or anticipated changes in the Issuer's credit ratings or the credit ratings of the Repack Notes will generally affect the market value of the Repack Notes. Thus, the price of the Repack Notes in the secondary market that may develop may be considerably less than the price paid for by investors in the Repack Notes.

A credit rating is not a recommendation to buy, sell or hold securities and does not address market price or suitability for a particular investor. A credit rating may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency and for any reason, including a lowering of the Issuer's credit ratings or the credit ratings of the Repack Notes. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price, liquidity, and marketability of the Repack Notes. An explanation of the significance of such ratings may be obtained from the rating agencies.

On voting matters, there may be conflicts in the interests of Holders of the Classes of Repack Notes.

When the Issuer (as holder of some or all of the Republic Notes) is required to (i) vote on a matter under the Republic Notes or (ii) give a direction under the Republic Notes, the Issuer may act on the instructions of the Holders of the outstanding Class A Notes and Class B Notes. However, various potential and actual conflicts of interest may arise between the interests of the Class A Noteholders, on one hand, and the interests of the Class B Noteholders, on the other hand, as a result of different commercial terms of each. In particular, the Class A Noteholders may ultimately give instructions that differ from those given by the Class B Noteholders, which may cause the Issuer and/or the Repack Indenture Trustee to take or refrain from taking certain actions that potentially adversely affect the value of the Class B Notes.

Certain payments on the Repack Notes may be subject to U.S. withholding tax under FATCA.

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "*foreign financial institution*" may be required to withhold on certain payments it makes (*i.e.*, "*foreign pass-through payments*") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Under these rules, the Issuer does not currently expect to withhold pursuant to FATCA on payments on the Repack Notes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Repack Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Repack Notes, are uncertain and may be subject to change. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Repack Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Repack Notes, no person will be required to pay additional amounts as a result of the withholding.

3. Risks Relating to the Class A Notes

Investment in the Class A Notes involves interest rate risks.

Investment in fixed rate instruments such as the Class A Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of such fixed rate instruments.

The IDB will not gross up any withholding on payments under the Repack Notes

Pursuant to the Agreement establishing the Inter-American Development Bank which became effective on December 30, 1959, the IDB, its property, other assets, income and the operations and transactions it carries out are immune from all taxation and from all customs duties in its member countries. The IDB is also immune from any other obligation relating to the payment, withholding or collection of any tax or duty.

Neither the Issuer nor the IDB will not be obliged to gross up, or pay any additional amounts in respect of, any payments in respect of the Class A Notes or the IDB Guarantee and receipts in respect of which any withholding or deduction has been required to be made in respect of any tax (although the Issuer will pass on to the Holders any gross up amounts paid by the Republic). If any payments received by the Issuer as a beneficiary under the IDB Guarantee are reduced by any withholding or deduction which has been required to be made in respect of any tax, the Issuer will also not be obliged to gross up, or pay any additional amounts, in respect of such payments. Accordingly, Class A Noteholders may receive a lower return than would be received on an investment where no withholding tax is payable (or where the relevant issuer has an automatic obligation to gross up any payments). See "*Taxation – Certain Luxembourg Tax Considerations"*

No additional payments or default interest are payable by the IDB where payments under the Class A Notes are not made by the Republic on the scheduled payment dates.

Following any non-payment by the Republic under the Republic Notes, that corresponds to an amount payable under the Class A Notes, the trustee of the Republic Notes will submit a demand notice to the IDB under the IDB Guarantee. The IDB will, however, have up to 14 Business Days thereafter to make the relevant payment under the IDB Guarantee. This means that while the Class A Notes benefit from the IDB Guarantee, there may be a delay between the time a demand notice is submitted under the IDB Guarantee and the time the Class A Noteholders are eventually paid by the Issuer under the Class A Notes, and the IDB is not obliged to make any additional payments in respect of default interest (see the "*Demand Notice for payment under the Guarantee*" section under the offering memorandum of the Republic Notes).

The Class A Notes may not be accelerated following a Republic Notes Acceleration Event, subject to a non-payment longstop.

If the Republic Notes are accelerated due to the occurrence of an event of default under the Republic Notes, this shall not lead to a redemption or cancellation of the Class A Notes. Payments on the Class A Notes may be deferred to the extent that the Issuer has not received the corresponding amount from the Republic or the IDB. However, if payment on the Class A Notes is not made within 20 Business Days of their original payment date, an Event of Default will occur in respect of the Repack Notes. Although the occurrence of an Event of Default will permit the majority Class A Noteholders to vote to accelerate the Class A Notes, the Issuer may not have the funds to pay the Class A Noteholders if it has not yet received payment from the Republic and/or the IDB.

The Republic Notes may be accelerated by the holders of the Class B Notes in certain circumstances where the Majority Holders would not vote to accelerate the Republic Notes.

If an event of default has occurred in respect of the Republic Notes and the Majority Holders have voted not to accelerate the Republic Notes, in certain circumstances the majority holders of the Class B Notes may nevertheless instruct the Republic Indenture Trustee to accelerate the Republic Notes. This may occur if (i) the Note Balance of the Class B Notes declines below 10% for the purposes of determining the Majority Holders, (ii) the Republic fails to make a payment of principal and/or interest on the Republic Notes, (iii) such non-payment leads to the Issuer not making a payment in full of a Principal Payment on the Class B Notes on the originally scheduled Class B Notes Principal Payment Date, and (iv) non-payment of such Principal Payment remains outstanding for more than one (1) year (see "*Class B Rights following Reduction in Note Balance or Non-payment of Scheduled Principal Payment on Class B Notes*" in the *Description of the Notes* section).

Following the occurrence of an Early Disbursement Event under the IDB Guarantee, payments that would have otherwise been made under the IDB Guarantee will instead be made by the Escrow Agent out of the Escrow Account.

Following the occurrence of an Early Disbursement Event, the IDB may deposit an amount equal to the Maximum Guaranteed Amount into the Early Disbursement Guarantor Escrow Account. Funds deposited into the Early Disbursement Guarantor Escrow Account shall be invested and reinvested in (i) the Goldman Sachs US$ Treasury Liquid Reserves Fund (ISIN: IE00B2Q5LL07). If (i) the Escrow Agent is for any reason unable to invest such amounts in such fund or (ii) such fund ceases to be rated AAA or equivalent by one of S&P, Fitch or Moody's, then the funds deposited into the Early Disbursement Guarantor Escrow Account shall be invested in debt with a maturity not exceeding one hundred and eight (180) days from the date of acquisition thereof denominated in U.S. Dollars, issued or directly and fully guaranteed or insured by the United States of America or any agency or Governmental Authority thereof; *provided that* (i) such permitted investments are rated AAA by both Standard & Poor's Ratings Group, Inc and Fitch Ratings Ltd, (ii) the full faith and credit of the United States of America is pledged in support thereof, (iii) such permitted investments are prepayable without penalty at par and (iv) the Escrow Agent is able to hold such permitted investments.

Following the deposit by the IDB of the Maximum Guaranteed Amount into the Early Disbursement Guarantor Escrow Account, payments that would have otherwise been made under the IDB Guarantee will instead be made by the Escrow Agent out of the Escrow Account, and therefore receipt of amounts by the Issuer in respect of such escrow funds shall be dependent on the punctual performance by the Escrow Agent (rather than by the IDB under the IDB Guarantee).

Following the occurrence of an Early Disbursement Event under the IDB Guarantee, any default on a permitted investment may have an adverse impact on the ability of the Issuer to repay the Class A Notes.

Funds on deposit in the Early Disbursement Guarantor Escrow Account may be invested in permitted investments prior to the Repack Indenture Trustee serving a demand notice following a failure to pay by the Republic, as described in this Offering Memorandum. While the permitted investments are intended to be short-term, highly rated and liquid investments, any default on a permitted investment may have a material adverse impact on the ability of the Issuer to repay the Class A Notes in full. In addition, in the event that the Class A Notes are to be redeemed, the permitted investments may need to be liquidated prior to maturity and at a price below par which, if it occurs, may have a material adverse impact on the ability of the Issuer to repay the Class A Notes in full.

The Class A Notes can be adversely affected by investors' perceptions of risks related to the IDB's credit rating.

The IDB is a multilateral institution rated Aaa by Moody's and AAA by S&P. However, the IDB's credit rating or credit profile (including their loan portfolio) may deteriorate, and any downgrade of the IDB's credit ratings could heighten investors' perception of risk and, as a result, adversely affect the price of the Class A Notes.

4. Risks related to the Securities Intermediary

The Issuer's ability to meet its obligations under the Repack Notes may depend upon the receipt by it of payments from the Securities Intermediary under the Repack Trust Indenture.

The amounts received by the Republic Indenture Trustee under the Republic Notes and the amounts received by the Republic Note Trustee under the IDB Guarantee or the IDB Escrow Agreement, from which the corresponding payments to the Holders of the relevant class of Repack Notes will be made, will be held in one or more accounts in the name of the Issuer with the Bank of New York Mellon, a banking corporation whose long-term senior debt is rated AA- by S&P and AA by Fitch and whose short-term deposits are rated A-1+ by S&P and F1+ by Fitch as at the date of this Offering Memorandum, acting in its capacity as Securities Intermediary (the "**Securities Intermediary**"), and the Securities Intermediary may hold the amounts received in accounts with a sub-securities intermediary, a securities depository or a clearing system, as further described below.

Notwithstanding the security expressed to be created over the Repack Notes in the Repack Trust Indenture, the ability of the Issuer to meet its obligations with respect to the Repack Notes will be dependent upon receipt by the Issuer of payments from the Securities Intermediary under the Repack Trust Indenture. Consequently, Holders are additionally exposed to the creditworthiness of the Securities Intermediary in respect of the performance of its obligations under the Repack Trust Indenture.

Any assets held by the Securities Intermediary or any sub-securities intermediary may be unavailable to investors upon the bankruptcy of the Securities Intermediary.

Any cash deposited with the Securities Intermediary by the Issuer and any cash received by the Securities Intermediary for the account of the Issuer in relation to the Repack Notes will be held by the Securities Intermediary as securities intermediary and not as trustee.

Any cash deposited with the Securities Intermediary by the Issuer and any cash received by the Securities Intermediary for the account of the Issuer in relation to the Repack Notes will be held by the Securities Intermediary as securities intermediary and not as trustee. Accordingly such cash will not be held as client money and will represent only an unsecured claim against the Securities Intermediary's assets.

The Securities Intermediary's failure to pay clearing system costs may result in the Issuer failing to receive any payments due to it in respect of the Repack Notes Collateral or the Class A Notes Collateral.

The Sub-Securities Intermediary, security depositories or clearing systems may have rights of set-off and/or liens with respect to the Repack Notes Collateral or the Class A Notes Collateral held by them in relation to their fees and/or expenses.

If the Securities Intermediary fails to pay such fees and/or expenses, the relevant sub-securities intermediary, security depository or clearing system may exercise such lien or right of set-off. This may result in the Issuer failing to receive any payments due to it in respect of the Repack Notes Collateral or the Class A Notes Collateral, and thereby adversely affecting the ability of the Issuer to meet its obligations with respect to the Notes and result in loss to the Holders.

Therefore, the ability of the Issuer to meet its obligations with respect to the Notes will not only be dependent upon receipt by the Issuer of payments from the Securities Intermediary under the Repack Trust Indenture for the Notes but will also be dependent on any sub-securities intermediary, security depository or clearing system not exercising any lien or right of set-off in respect of any cash flows from the Repack Notes Collateral or the Class A Notes Collateral that it holds.

5. Risks related to the Repack Paying Agent and the Calculation Agent

Holders are exposed to the creditworthiness of the Repack Paying Agents.

Any payments and/or deliveries made to Holders in accordance with the Repack Trust Indenture will be made by the Bank of New York Mellon, a banking corporation whose long-term senior debt is rated AA- by S&P and AA by Fitch and whose short-term deposits are rated A-1+ by S&P and F1+ by Fitch as at the date of this Offering Memorandum, acting in its capacity as Repack Paying Agent and Calculation Agent (respectively, the "**Repack Paying Agent**", the "**Calculation Agent**" and together, the "**Agents**") on behalf of the Issuer. Pursuant to the terms of the Repack Trust Indenture, the Issuer is required to transfer to the relevant Agent such amount as may be due under the Repack Notes, on or before each date on which such payment and/or deliveries in respect of the Repack Notes becomes due.

While a replacement Agent rated at least "A" by S&P and Fitch is required to be appointed if the Bank of New York Mellon ceases to be rated at least "A" by S&P and Fitch, there can be no guarantee that a successor entity will be appointed. If

the relevant Agent, while holding funds for payment to Holders in respect of the Repack Notes, is declared insolvent, the Holders may not receive all (or any part) of any amounts due to them in respect of the Repack Notes from the relevant Agent. The Issuer will still be liable to Holders in respect of such unpaid amounts but will have insufficient assets to make such payments and Holders may not receive any amounts due to them.

Consequently, Holders are exposed to the creditworthiness of the relevant Agent in respect of the performance of their obligations under the Repack Trust Indenture to make payments to Holders.

The Calculation Agent has no obligations to Holders.

The Calculation Agent has no obligations to the Holders, and only has the obligations expressed to be binding on it pursuant to the Repack Trust Indenture, unless otherwise specified in the Final Terms. All designations and calculations made by the Calculation Agent in respect of any Repack Notes are conclusive and binding on the Holders; provided, the Repack Indenture Trustee receives certain certificates and opinions required under the Repack Trust Indenture.

6. Risks associated with certain other miscellaneous features and terms of the Repack Notes, including settlement and amendments, amongst others

Modifications.

The Repack Trust Indenture contains provisions in relation to modifications to Transaction Documents. Defined majorities are capable of binding all Holders with respect to approving any such modifications, subject to certain entrenched rights that require the consent of the affected Holder. The Repack Trust Indenture also provides that the Repack Indenture Trustee may, without the consent of Holders, agree to, *inter alia*, (i) cure any ambiguity, defect or inconsistency in any Transaction Document or (ii) add to the covenants of the Issuer for the benefit of the Secured Parties or to surrender any right or power herein conferred upon the Issuer or (iii) make any change that does not adversely affect the rights of any Secured Party in any material respect; provided, the Repack Indenture Trustee receives certain certificates and opinions required under the Repack Trust Indenture.

7. Risks related to legal framework of the Repack Notes

Change of law.

The Repack Trust Indenture is governed by New York law (except for terms concerning submissions to arbitration which will be governed by English law) in effect as at the date of this Offering Memorandum. No assurance can be given as to the impact of any possible judicial decision or change to New York law or English law or administrative practice after the date of this Offering Memorandum. Accordingly, Holders are exposed to the risk that their rights in respect of the Repack Notes may be varied, which may result in an investment in any Repack Notes becoming less advantageous.

Neither the IDB nor the Republic have reviewed or confirmed any information in this Offering Memorandum.

The information in this Offering Memorandum has not been and will not be reviewed, confirmed or approved by the IDB nor the Republic, excepting the information relating to the Republic Notes, the IDB and the Republic set out in Annex B dated January 16, 2020. As such, no assurance can be provided that the information in this Offering Memorandum will be considered accurate by the IDB or the Republic. Subsequent disclosure of any such inaccuracy or the failure to disclose any relevant information could affect the trading price and amounts payable in respect of the Repack Notes.

The Volcker Rule may adversely affect the ability of particular investors to hold or acquire the Repack Notes, and thus may limit the ability of investors in the offered Repack Notes to resell the Repack Notes in the secondary market.

Section 619 of the Dodd-Frank Act (the "**Volcker Rule**") prevents a "banking entity" (a term which includes a banking institution organized in the United States and any of its affiliates, regardless of where the affiliate is located or organized and also includes a banking institution organized outside the United States with a branch or agency office in the U.S. and any of its affiliates, regardless of where the affiliates are located) from (i) engaging in proprietary trading in financial instruments, or (ii) acquiring or retaining any "ownership interest" in, or in "sponsoring," a "covered fund," subject to certain exemptions. An "ownership interest" is defined widely and may arise through a Holder's exposure to the profits and losses of the "covered fund," as well as through certain rights of the Holder to participate in the selection or removal of an investment advisor, investment manager, or general partner, trustee, or member of the board of directors of the "covered fund". A "covered fund" is defined widely and includes any issuer which would be an "investment company" under the Investment Company Act but for Section 3(c)(1) or 3(c)(7) of the Investment Company Act, subject to certain exemptions found in the Volcker Rule's implementing regulations. Any entity that is a "banking entity" as defined under the Volcker Rule and is considering an

investment in "ownership interests" of the Issuer should consult its own legal advisers and consider the potential impact of the Volcker Rule in respect of such investment. Investment by "banking entities" in the Repack Notes is not expected to be deemed a "covered fund" for the purposes of the Volcker Rule because the Issuer intends to rely on Rule 3a-7. However, there can be no assurance that the Issuer will not be treated as a "covered fund" or that the Issuer will be viewed by a regulator in the United States as having complied with the requirements of Rule 3a-7. If it were determined that the Issuer did not qualify for the exclusion provided by Rule 3a-7, the Issuer may be determined to be a "covered fund" and any banking entity would be prohibited or restricted by the Volcker Rule, which could impair the marketability and liquidity of the Repack Notes. None of the Issuer or the Class A Notes Placement Agent or any of their respective affiliates makes any representation to any prospective investor or purchaser of the Repack Notes regarding the application of the Volcker Rule to the Issuer, or to such investor's investment in the Repack Notes on the Note Closing Date or at any time in the future. For more information on Rule 3a-7, see "*Risk Factors—Risks Relating to the Repack Notes—There can be no assurance the Issuer satisfies the requirements of the exception under Rule 3a-7 of the Investment Company Act*".

There can be no assurance that the Issuer satisfies the requirements of the exception under Rule 3a-7 of the Investment Company Act.

It is expected that the Issuer will be relying, and the Transaction Documents will contain certain requirements and restrictions that are intended to allow the Issuer to rely, on an exception from the definition of "investment company," and from the resulting requirement to register as an investment company under the Investment Company Act.

As a result of such requirements and restrictions, the Issuer does not intend to engage in activities other than purchasing, holding and selling "eligible assets" (as defined in Rule 3a-7 under the Investment Company Act) and activities incidental thereto. The Repack Indenture Trustee will otherwise meet the requirement for trustees provided in Rule 3a-7. This could materially and adversely affect the ability of the Issuer to make payments on the Repack Notes.

Notwithstanding these restrictions, no assurance can be provided that the Issuer satisfies the requirements of Rule 3a-7 or that any investor will be able to treat the Issuer as exempt under Rule 3a-7 for such purposes. It is possible that the SEC or its staff will consider the applicability of Rule 3a-7 to issuers engaged in activities similar to those engaged in by the Issuer. No assurance can be provided as to the results of any such consideration, and any such action taken by the SEC or any other regulator in the United States could adversely affect the Issuer and the Holders. For particular risks, see "*Risk Factors—Risks Relating to the Repack Notes—The Volcker Rule may adversely affect the ability of particular investors to hold or acquire the Repack Notes, and thus may limit the ability of investors in the offered Repack Notes to resell the Repack Notes in the secondary market*".

The SEC has not reviewed the structure relating to the issuance of the Repack Notes and/or the Issuer's activities or provided guidance in relation to similar transactions. As such, no assurance can be provided that the Issuer will be viewed by the SEC or any other regulator in the US as having complied with the requirements of Rule 3a-7. In addition, in 2011, the SEC published an advance notice of proposed rulemaking to potentially consider proposing amendments to Rule 3a-7. Any guidance from the SEC or its staff regarding Rule 3a-7, including changes that the SEC may ultimately adopt to Rule 3a-7 that narrow the scope of Rule 3a-7, could further inhibit the business activities of the Issuer and adversely affect the Holders.

If the SEC or a court of competent jurisdiction were to find that the Issuer is required to and has, in violation of the Investment Company Act, failed to register as an "investment company," possible consequences include, but are not limited to, the following: (i) the SEC could apply to a district court to enjoin the violation; (ii) investors in the Issuer could sue the Issuer and seek recovery of any damages caused by the violation; and (iii) any contract to which the Issuer is party that is made in violation of the Investment Company Act or whose performance involves such violation could be declared unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act.

The Repack Notes could be considered asset-backed securities for purposes of the U.S. Risk Retention Rules, but the Class A Notes Placement Agent has determined and informed the Issuer that it will not retain the minimum risk retention requirement under the U.S. Risk Retention Rules in connection with the issuance of the Notes.

On October 21, 2014, the final rules implementing the credit risk retention requirements of Section 941 of the Dodd-Frank Act (the "**U.S. Risk Retention Rules**") were issued. With exceptions, the U.S. Risk Retention Rules generally require a "sponsor" of asset-backed securities or the sponsor's "majority-owned affiliate" (as defined in the U.S. Risk Retention Rules) to retain not less than 5% of the credit risk of the assets collateralizing asset-backed securities (the "**Minimum Risk Retention Requirement**"). The U.S. Risk Retention Rules became generally effective on December 24, 2016. An "asset-backed security" means a fixed-income or other security collateralized by any type of self-liquidating financial asset (including a loan, a lease,

a mortgage, or a secured or unsecured receivable) that allows the holder of the security to receive payments that depend primarily on cash flow from the asset.

The Repack Notes will be fully backed by the Republic Notes and, in the case of the Class A Notes, the IDB Guarantee. The structure of this transaction has more in common with an indirect or structured sovereign fund-raising than a typical issuance of securities collateralized by self-liquidating financial assets. Direct sovereign debt securities would not fall within the U.S. Risk Retention Rules. In the context of certain infrastructure financing transactions which were collateralized by and depended for their payments on indirect claims to sovereign revenue sources, representatives of certain parties involved in those infrastructure financings sought informal guidance from certain U.S. regulators on the applicability of the U.S. Risk Retention Rules to those infrastructure financings. Based on informal regulatory guidance received by such representatives, the sponsor has determined and informed the Issuer that it will not retain the Minimum Risk Retention Requirement pursuant to the U.S. Risk Retention Rules in connection with the issuance of the Repack Notes.

The ultimate interpretation as to whether any action taken by an entity complies with the U.S. Risk Retention Rules will be a matter of interpretation by the applicable U.S. regulators. There is limited established line of authority, precedent or market practice that provides guidance with respect to compliance with the U.S. Risk Retention Rules in connection with any actions of an issuing entity or sponsor. Moreover, any applicable U.S. regulator could in the future provide guidance or interpretations or state views on compliance with the U.S. Risk Retention Rules that materially alter current guidance, interpretations or views. The U.S. Risk Retention Rules may also be superseded by changes in law. In such circumstances, the failure by a sponsor to comply with the U.S. Risk Retention Rules may result in regulatory actions and other proceedings being brought against such sponsor, which could result in the sponsor being required, among other things, to pay damages, transfer interests and/or acquire Repack Notes (which may or may not be available at such time for acquisition) or be subject to cease and desist orders or other regulatory action. As a result of any of the foregoing, the failure of a sponsor to comply with the U.S. Risk Retention Rules may have a material and adverse effect on the market value and/or liquidity of the Notes as well as on the business, condition (financial or otherwise), assets, operations or prospects of the Issuer and/or the sponsor.

Repack Notes where denominations involve integral multiples: definitive Repack Notes.

In relation to any issue of Repack Notes which have denominations consisting of a minimum specified denomination (the "**Specified Denomination**") plus one or more higher integral multiples of another smaller amount, it is possible that such Repack Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a Holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Repack Notes be printed) and would need to purchase a principal amount of Repack Notes such that its holding amounts to a Specified Denomination. Holdings which are not in integral multiples of the Specified Denomination will be rounded downwards in all instances. If definitive Repack Notes are issued, Holders should be aware that definitive Repack Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

USE OF PROCEEDS

The proceeds from the issuance and sale of the Class A Notes on the Note Closing Date are estimated to be approximately U.S.$219,211,258.27**.** The proceeds from the issuance and sale of the Class A Notes, together with U.S.$184,006,189.15 in proceeds from the issuance and sale of the Class B Notes, will be used to fund the Issuer's purchase of the Republic Notes and to fund the Issuer Expense Account (USD) and the Issuer Expense Account (EUR). Certain other expenses will be paid by the Republic. Following an initial deposit in the *cuenta única* (the sole Treasury account of the Republic at the Central Bank of Ecuador), the proceeds of the Republic Notes will be transferred to a trust account established for the purposes of financing construction of social housing by MIDUVI following the guidelines of the ROP (as defined herein), in connection with a proposed program of the IDB (the "**Program**") to support Ecuador to finance its social housing program, reduce the housing deficit and promote economic growth. The ROP will specify, among others: (i) the financial intermediary institutions that can intermediate the Republic Note resources to provide mortgages to the Program beneficiaries; (ii) characteristics of the mortgages to be provided by the resources of the Program; (iii) financial, economic and social reporting and auditing of the Program. A consultant will ensure how the Use of Proceeds of the Republic Notes will be ultimately applied.

Sources and Uses (U.S.$)

Sources		Uses	
	Amount		**Amount**
Class A Notes	$219,211,258.27	Purchase of Social Bond	$400,000,000.00
Class B Notes	$184,006,189.15	Funding of Issuer Expense Account (USD) and Issuer Expense Account (EUR)	$3,217,447.42
Total Sources	**$403,217,447.42**	**Total Uses**	**$403,217,447.42**

Sources net of (i) original issue discount on price to investors in the Class A Notes, (ii) fees and expenses related to the offering of the Repack Notes and the arranging of the transactions contemplated to occur on the Note Closing Date (including, without limitation, legal, accounting, printing, rating agency, trustee, auditor, Goldman Sachs & Co. LLC and its affiliates, and related fees and expenses); and (iii) fees and expenses of all agents payable on the Note Closing Date. For a description of certain arrangements between the Placement Agent and the Issuer, see "Plan of Distribution".

CERTAIN KEY TRANSACTION PARTIES

The Issuer

Ecuador Social Bond s.à r.l. is the issuer of the Repack Notes. The Issuer is a private limited liability company (*société à responsabilité limitée*) incorporated for an unlimited duration on 3 December 2019 under the laws of Luxembourg as an unregulated securitisation company (*société de titrisation*) within the meaning of, and governed by, the Securitisation Law. A copy of the article of association of the Issuer (the "**Articles**") was published in the Electronic Register of Companies and Associations (*Recueil Electronique des Sociétés et Associations*) on 20 December 2019 and the Issuer is registered with the Luxembourg Register of Commerce and Companies (*Registre de Commerce et des Sociétés*) under number B240232. The Issuer's LEI is 5493006P8FVL2JCVBP02. The registered office of the Issuer is at 46A, Avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg. The telephone number of the Issuer is +352 42 71 711.

Share capital

The authorised issued share capital of the Issuer is EUR 12,000. The share capital of the Issuer is divided into 120 shares (as defined in the Articles) of EUR 100 each.

Ownership of the Issuer

The Issuer has issued 120 shares, all of which are fully paid and are held by Stichting Ecuador Social Bond.

Stichting Ecuador Social Bond is a foundation (*stichting*) incorporated under the laws of the Netherlands with limited liability and is established for a specific purpose. It is not owned or controlled by any person. *Stichting* Ecuador Social Bond has no beneficial interest in and derives no benefit from its holding of the issued shares. *Stichting* Ecuador Social Bond will apply any income derived by it from the Issuer solely for charitable purposes relating to social housing in the Republic of Ecuador. It is governed and represented by a board responsible for the foundation's administration. The board members of *Stichting* Ecuador Social Bond are provided by TMF Management B.V.

Activities of the Issuer

The corporate purpose of the Issuer is set out in the Articles and consists, *inter alia*, in the acquisition of Republic Notes, the issue of the Repack Notes and in incurring certain indebtedness in connection with the issue of the Repack Notes and entry into the Finance Documents.

As of this Offering Memorandum, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities. There has been no change in the capitalization of the Issuer since the date of its incorporation.

Assets and liabilities

Save in respect of the fees paid to it in connection with each issue of the Repack Notes, any related profits and the proceeds of any deposits and investments made from such expenses or from amounts representing the Issuer's issued and paid-up share capital and share premium, the Issuer will not accumulate any surpluses.

The Repack Notes issued by the Issuer are obligations of the Issuer alone and are not obligations of or guaranteed by any other person.

Capitalisation

Shareholders' funds

Share capital (EUR 12,000, authorised and issued 120 shares in of EUR 100 each)

Total capitalisation: EUR 12,000

Management and supervisory bodies

The Issuer is managed by the board of managers which is composed as follows:

Manager	Principal outside activities	Business Address
Atif Kamal	Company Director	46A, Avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg
Martijn Sinninghe Damsté	Company Director	46A, Avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg
Pooja Napaul	Company Director	46A, Avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg

No potential conflicts of interest exist between the duties that the managers of the Issuer owe to the Issuer and their private interests or other duties.

Corporate Services Provider

TMF Luxembourg S.A., a public limited company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 46a, Avenue J.F Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg and registered with the Register of Trade and Companies of Luxembourg under number B15302 has been appointed as corporate services provider of the Issuer (the "**Corporate Services Provider**").

Pursuant to the terms of the corporate services agreement dated January 15, 2020 and entered into between the Corporate Services Provider, the Issuer and the shareholder of the Issuer (the "**Corporate Services Agreement**"), the Corporate Services Provider will perform in Luxembourg certain administrative, accounting and related services including those of a domiciliation agent. In consideration of the foregoing, the Corporate Services Provider will receive various fees payable to it by the Issuer at rates agreed upfront and capped.

Financial statements

The financial year of the Issuer begins on 1 January of each year and ends on 31 December of the same year save that the first financial year started on the date of incorporation of the Issuer and will end on 31 December 2020.

In accordance with the Luxembourg law dated 10 August 1915 on commercial companies, as amended (the "**Companies Law**") and the Securitisation Law, the Issuer is obliged to publish its annual accounts on an annual basis following approval of the annual accounts by the annual general meeting of its shareholders. The Issuer is not required to and does not prepare interim financial statements.

Since the date of incorporation, the Issuer has not commenced operations and accordingly, no financial statements have been prepared as at the date of this Offering Memorandum.

Any future published annual audited financial statements prepared for the Issuer will be obtainable free of charge from the registered office of the Issuer or the specified office of the Repack Paying Agents in London and Luxembourg.

Statutory auditors

The approved statutory auditor(s) (*réviseur(s) d'entreprises agréé(s)*) of the Issuer are Ernst & Young Luxembourg, a public limited company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, with registered office at 35E, Avenue John F. Kennedy, L - 1855 Luxembourg, registered with the Luxembourg Register of Commerce and Companies under the number B88019 and who belong to the Luxembourg institute of auditors (*Instituts des réviseurs d'entreprises*) (the "**Auditor**").

Litigation

There are no, and have not been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the twelve months preceding the date of this Offering Memorandum which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer and/or its group, if any.

Restrictions

So long as any of the Repack Notes remain outstanding, the Issuer will be subject to the restrictions set out in the Repack Trust Indenture applicable to such series of the Repack Notes and the Articles.

The Repack Indenture Trustee and the Collateral Agent

The Bank of New York Mellon, a New York banking corporation organized under the laws of the State of New York, having its principal office at 240 Greenwich Street, New York, NY 10286, whose long-term senior debt is rated AA- by S&P and AA by Fitch and whose short-term deposits are rated A-1+ by S&P and F1+ by Fitch as at the date of this Offering Memorandum, will act as Repack Indenture Trustee (the "**Repack Indenture Trustee**"). Pursuant to the terms of the Repack Trust Indenture dated on or around the Note Closing Date and entered into between, *inter alios*, the Issuer and the Repack Indenture Trustee, the Repack Notes will be secured by first lien fixed security, in favour of The Bank of New York Mellon as collateral agent (the "**Collateral Agent**") and on behalf of the secured creditors, including the Holders, over, *inter alia*:

1. all principal, interest and additional amounts payable under the Underlying Assets;

2. the right to receive all sums or assets which may become payable under any claim, award or judgement relating to the Underlying Assets from the Republic or the IDB (as the case may be);

3. all of the rights, title and interest in and to all sums of money deposited into the Accounts; and

4. all of the rights, title and interest of the Issuer under the documentation for the Underlying Assets and the Repack Notes to which the Issuer is a party.

In relation to any security over, or provided in connection with, the IDB Guarantee, the Early Disbursement Guarantor Escrow Account and the Issuer Guarantee Escrow Account, such security shall be granted in favour of the Repack Indenture Trustee for and on behalf of the Class A Noteholders only. For the avoidance of doubt, the Issuer shall remain the legal and beneficial owner of the assets that are the subject of the Security following the granting of the Security.

In consideration of the foregoing, the Repack Indenture Trustee will receive various fees payable to it by the Issuer at rates agreed upfront and capped.

The Registrar, the Repack Paying Agent, the Transfer Agent, the Calculation Agent and the Securities Intermediary

The Bank of New York Mellon will also act as Registrar, Transfer Agent, Calculation Agent and the Securities Intermediary (respectively, the "**Registrar**", the "**Transfer Agent**", the "**Calculation Agent**" and the "**Securities Intermediary**"). The Bank of New York Mellon, London Branch will also act as Repack Paying Agent (the "**Repack Paying Agent**").

The Registrar, Repack Paying Agent and Transfer Agent

Pursuant to the terms of the Repack Trust Indenture dated on or around the Note Closing Date and entered into between the Issuer and the Repack Indenture Trustee, acting in its capacity as Registrar, Repack Paying Agent and Transfer Agent, an agent of the Issuer designated by the Issuer as such shall maintain, at the Issuer's expense, in the following locations: (i) in London, England, an office or agency where the Repack Notes may be presented for payment, (ii) in New York, New York, an office or agency where the Repack Notes may be presented for transfer or for exchange as provided in the Repack Trust Indenture, and (iv) in New York, New York, an office or agency where notices and demands in respect of the Repack Notes or of the Repack Trust Indenture may be served.

The Registrar shall keep a register of the Repack Notes and of their transfer and exchange (the "**Note Register**"). The Issuer may have one or more co-Registrars (each a "**co-Registrar**"), one or more additional paying agents and one or more

transfer agents.

The term "Repack Paying Agent" includes any additional paying agent and the term "Transfer Agent" includes any additional transfer agent. The term "Registrar" shall include any additional co-Registrar.

The terms of the Repack Trust Indenture provide that the Issuer initially appoints the Repack Indenture Trustee, at its applicable Corporate Trust Office, as Registrar, Repack Paying Agent, Transfer Agent and agent for service of notices and demands in connection with the Repack Notes and the Repack Trust Indenture (other than service of process), until such time as another person is appointed as such.

The Repack Indenture Trustee, acting in its capacity as Registrar, Repack Paying Agent and Transfer Agent, will receive various fees payable to it by the Issuer at rates agreed upfront and capped.

The Calculation Agent

Pursuant to the terms of the Repack Trust Indenture dated on or around the Note Closing Date, entered into between the Issuer and the Repack Indenture Trustee acting in its capacity as Calculation Agent, the Calculation Agent will determine the amounts payable by the Issuer to the Holders upon the occurrence of various events, including the Class A Notes Voluntary Prepayment Price and the Comparable Treasury Price. The Calculation Agent will also determine the ongoing fees payable by the Issuer.

In consideration of the foregoing, the Calculation Agent will receive various fees payable to it by the Issuer at rates agreed upfront and capped.

The Securities Intermediary

Pursuant to the terms of the Repack Trust Indenture dated on or around the Note Closing Date, entered into between the Issuer and the Repack Indenture Trustee acting in its capacity as Securities Intermediary, the Securities Intermediary will establish, on or prior to the Note Closing Date and pursuant to the direction of the Issuer, the Accounts, in the name of the Issuer.

The Securities Intermediary will receive various fees payable to it by the Issuer at rates agreed upfront and capped.

Multiple Roles

The Bank of New York Mellon, serves as both Repack Indenture Trustee and Collateral Agent and in certain roles, including Republic Indenture Trustee, under the agreements governing the Republic Notes. The Bank of New York Mellon may, in such capacities, discharge its separate functions fully, without hindrance or regard to conflict of interest principles, duty of loyalty principles or other breach of fiduciary duties to the extent that any such conflict or breach arises from the performance by of its express duties set forth in the Repack Trust Indenture or the agreements governing the Republic Notes in any of such capacities, all of which defenses, claims or assertions are waived by the parties to this Indenture and the Holders.

With respect to actions taken by the Repack Indenture Trustee or the Collateral Agent regarding the Republic Notes or the IDB Guarantee, the parties to the agreements governing the Republic Notes or the IDB Guarantee may be unwilling to take action at the direction of the Repack Indenture Trustee or the Collateral Agent, absent the provision of indemnity as required by the agreements governing the Republic Notes or the IDB Guarantee. The responsibility to provide such indemnity shall be that of the Holders and under no circumstances shall the Repack Indenture Trustee or Collateral Agent have an obligation to provide such indemnity nor shall the Repack Indenture Trustee or Collateral Agent be responsible for any failure to act by the parties to the agreements governing the relevant underlying security in the event that such indemnity is not provided.

Additionally, each of the Repack Indenture Trustee and Collateral Agent (a) shall not be required to take any action which would involve the prosecution or commencement of any action, proceeding or demand against The Bank of New York Mellon in any capacity or any other trustee of any underlying security and (b) shall suffer no liability for its refusal to take any such action.

DESCRIPTION OF THE NOTES

*The Repack Notes will be issued under an indenture (the "**Repack Trust Indenture**") to be entered into by and between Ecuador Social Bonds S.à r.l. and The Bank of New York Mellon, as indenture trustee (in such capacity the "**Repack Indenture Trustee**"), registrar (in such capacity the "**Registrar**"), Repack paying agent (in such capacity the "**Repack Paying Agent**"), transfer agent (in such capacity the "**Transfer Agent**"), collateral agent (in such capacity the "**Collateral Agent**"), calculation agent (in such capacity, the "**Calculation Agent**") and securities intermediary (in such capacity, the "**Securities Intermediary**"). The following summaries of certain provisions of the Repack Trust Indenture and the Repack Notes are not complete and are subject to, and qualified in their entirety by reference to, all of the provisions of the Repack Trust Indenture and the Repack Notes. Copies of the Repack Trust Indenture will be available, free of charge upon written request by any Holder to the Repack Indenture Trustee. See "Available Information". The Luxembourg Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed, or reports contained in this Offering Memorandum and are not to be taken as an indication of the merits of the offering, the Issuer, the Republic, their associated companies (if any), their respective joint venture companies (if any) or the Repack Notes. Capitalized terms used but not defined below have the meanings specified in Annex A hereto.*

This "Description of the Notes" section describes the terms of both the Class A Notes and the Class B Notes.

General

The Repack Notes:

- will constitute the Issuer's direct secured obligations ranking at least *pari passu* in right of payment to all other outstanding Debt of the Issuer, present or future (see "*—Covenants—Debt*");
- will be secured by a first-priority security interest in and mortgage on all of the Issuer's assets (other than (1) any funds on deposit in the Issuer's deposit accounts in the Luxembourg to which share subscription fees and transaction fees will have been paid and (2) certain assets of the Issuer in respect of which security will be granted in favour of the Class A Noteholders only) (see "*—Security and Guarantee*");
- will be issued only in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof;
- will have a Note Balance of U.S.$230,961,000.00 in respect of the Class A Notes and U.S.$326,852,000.00 in respect of the Class B Notes;
- will, in the case of the Class A Notes, bear interest at a rate of 2.60% per annum, payable on January 30 and July 30 of each year (each, an "**Interest Payment Date**"), commencing on July 30, 2020;
- will, in the case of the Class B Notes, not bear interest and will be offered at a discount from the Note Balance at issuance;
- will pay principal on the dates and in the amounts set forth in the Class A Note Principal Payment Schedule or the Class B Note Principal Payment Schedule, as applicable;
- will be paid from the Issuer's cash flow from the Republic Notes;
- will, in the case of the Class A Notes, benefit from the IDB Guarantee or the IDB Escrow Agreement (see "*—Security and Guarantee*"); and
- will mature on January 30, 2035, unless an early redemption occurs pursuant to an Early Redemption Event, or, in the case of the Class A Notes, if a Maturity Extension Event occurs.

Interest Payments on the Class A Notes

Except as otherwise provided in the Repack Trust Indenture the Issuer will pay interest on the outstanding principal amount of the Class A Notes at a rate of 2.60% per annum, payable *pro rata* to each Holder on a semi-annual basis. Calculations will be made on the basis of a 30/360-day convention. All U.S. Dollar amounts resulting from any calculations will be rounded to the nearest U.S. Dollar (with one-half U.S. Dollar being rounded upward). The initial interest payment on the Class A Notes is scheduled to be made on July 30, 2020, and subsequent Interest Payment Dates.

Class A Notes Interest Payment Schedule

Semiannual Payment Date	Note Balance (U.S.$) [3]	Interest Payment (U.S.$)
30-Jul-20	230,961,000.00	3,002,493.00
30-Jan-21	230,961,000.00	3,002,493.00
30-Jul-21	230,961,000.00	3,002,493.00
30-Jan-22	230,961,000.00	3,002,493.00
30-Jul-22	230,961,000.00	3,002,493.00
30-Jan-23	230,961,000.00	3,002,493.00
30-Jul-23	230,961,000.00	3,002,493.00
30-Jan-24	222,000,000.00	3,002,493.00
30-Jul-24	213,000,000.00	2,886,000.00
30-Jan-25	204,000,000.00	2,769,000.00
30-Jul-25	202,000,000.00	2,652,000.00
30-Jan-26	200,000,000.00	2,626,000.00
30-Jul-26	198,000,000.00	2,600,000.00
30-Jan-27	196,000,000.00	2,574,000.00
30-Jul-27	194,000,000.00	2,548,000.00
30-Jan-28	192,000,000.00	2,522,000.00
30-Jul-28	188,500,000.00	2,496,000.00
30-Jan-29	185,000,000.00	2,450,500.00
30-Jul-29	179,500,000.00	2,405,000.00
30-Jan-30	174,000,000.00	2,333,500.00
30-Jul-30	165,000,000.00	2,262,000.00
30-Jan-31	156,000,000.00	2,145,000.00
30-Jul-31	146,000,000.00	2,028,000.00
30-Jan-32	136,000,000.00	1,898,000.00
30-Jul-32	111,000,000.00	1,768,000.00
30-Jan-33	86,000,000.00	1,443,000.00
30-Jul-33	61,000,000.00	1,118,000.00
30-Jan-34	36,000,000.00	793,000.00
30-Jul-34	18,000,000.00	468,000.00
30-Jan-35	0.00	234,000.00

[3] The Note Balance is determined after the payment of the relevant Class A Note Principal Payment Amount and assumes all previous Class A Note Principal Payment Amounts have been paid.

Principal Payments on the Repack Notes

Except as otherwise provided in the Repack Trust Indenture, the Issuer will repay the principal amounts on the Repack Notes, *pro rata*, to each Holder by paying, in the case of the Class A Notes, the Class A Note Principal Payment on each Note Principal Payment Date as set forth in the Class A Note Principal Payment Schedule below (each such date, a "**Class A Note Principal Payment Date**" and, together with each Interest Payment Date, a "**Class A Note Payment Date**"), (*provided that* with respect to the Class A Notes, any Principal Payment and Interest Payment on the Class A Notes should be paid by the Issuer no later than twenty (20) Business Days after the original relevant Note Payment Date) and, in the case of the Class B Notes, the Class B Principal Payment on each Note Principal Payment Date as set forth in the Class B Note Principal Payment Schedule below (each such date, a "**Class B Principal Payment Date**").

Class A Note Principal Payment Schedule

Class A Note Principal Payment Date	Class A Note Principal Payment (U.S.$)	Outstanding Principal Amount of Class A Notes at End of Period (U.S.$) [4]
30-Jul-20	0.00	230,961,000.00
30-Jan-21	0.00	230,961,000.00
30-Jul-21	0.00	230,961,000.00
30-Jan-22	0.00	230,961,000.00
30-Jul-22	0.00	230,961,000.00
30-Jan-23	0.00	230,961,000.00
30-Jul-23	0.00	230,961,000.00
30-Jan-24	8,961,000.00	222,000,000.00
30-Jul-24	9,000,000.00	213,000,000.00
30-Jan-25	9,000,000.00	204,000,000.00
30-Jul-25	2,000,000.00	202,000,000.00
30-Jan-26	2,000,000.00	200,000,000.00
30-Jul-26	2,000,000.00	198,000,000.00
30-Jan-27	2,000,000.00	196,000,000.00
30-Jul-27	2,000,000.00	194,000,000.00
30-Jan-28	2,000,000.00	192,000,000.00
30-Jul-28	3,500,000.00	188,500,000.00
30-Jan-29	3,500,000.00	185,000,000.00
30-Jul-29	5,500,000.00	179,500,000.00
30-Jan-30	5,500,000.00	174,000,000.00
30-Jul-30	9,000,000.00	165,000,000.00
30-Jan-31	9,000,000.00	156,000,000.00
30-Jul-31	10,000,000.00	146,000,000.00
30-Jan-32	10,000,000.00	136,000,000.00

[4] The Outstanding Principal Amount of Class A Notes is determined after the payment of the relevant Class A Note Principal Payment Amount and assumes all previous Class A Note Principal Payment Amounts have been paid.

Class A Note Principal Payment Date	Class A Note Principal Payment (U.S.$)	Outstanding Principal Amount of Class A Notes at End of Period (U.S.$) [4]
30-Jul-32	25,000,000.00	111,000,000.00
30-Jan-33	25,000,000.00	86,000,000.00
30-Jul-33	25,000,000.00	61,000,000.00
30-Jan-34	25,000,000.00	36,000,000.00
30-Jul-34	18,000,000.00	18,000,000.00
30-Jan-35	18,000,000.00	0.00

Class B Note Principal Payment Schedule

Class B Note Principal Payment Date	Class B Note Principal Payment (U.S.$)	Outstanding Principal Amount of Class B Notes at End of Period (U.S.$) [5]
30-Jul-20	11,497,507.00	315,354,493.00
30-Jan-21	11,497,507.00	303,856,986.00
30-Jul-21	36,497,507.00	267,359,479.00
30-Jan-22	35,591,257.00	231,768,222.00
30-Jul-22	38,685,007.00	193,083,215.00
30-Jan-23	37,633,757.00	155,449,458.00
30-Jul-23	42,582,507.00	112,866,951.00
30-Jan-24	32,352,757.00	80,514,194.00
30-Jul-24	5,161,500.00	75,352,694.00
30-Jan-25	4,952,250.00	70,400,444.00
30-Jul-25	4,743,000.00	65,657,444.00
30-Jan-26	4,696,500.00	60,960,944.00
30-Jul-26	4,650,000.00	56,310,944.00
30-Jan-27	4,603,500.00	51,707,444.00
30-Jul-27	4,557,000.00	47,150,444.00
30-Jan-28	4,510,500.00	42,639,944.00
30-Jul-28	4,464,000.00	38,175,944.00
30-Jan-29	4,382,625.00	33,793,319.00
30-Jul-29	4,301,250.00	29,492,069.00
30-Jan-30	4,173,375.00	25,318,694.00
30-Jul-30	4,045,500.00	21,273,194.00
30-Jan-31	3,836,250.00	17,436,944.00

[5] The Outstanding Principal Amount of Class B Notes is determined after the payment of the relevant Class B Note Principal Payment Amount and assumes all previous Class B Note Principal Payment Amounts have been paid.

Class B Note Principal Payment Date	Class B Note Principal Payment (U.S.$)	Outstanding Principal Amount of Class B Notes at End of Period (U.S.$) [5]
30-Jul-31	3,627,000.00	13,809,944.00
30-Jan-32	3,394,500.00	10,415,444.00
30-Jul-32	3,162,000.00	7,253,444.00
30-Jan-33	2,580,750.00	4,672,694.00
30-Jul-33	1,999,500.00	2,673,194.00
30-Jan-34	1,418,250.00	1,254,944.00
30-Jul-34	837,000.00	417,944.00
30-Jan-35	417,944.00	0.00

Payments and Repack Paying Agents

On each Class A Note Payment Date and Class B Principal Payment Date, together the "**Note Payment Date**", the Repack Indenture Trustee will, upon receipt of funds on the Note Payment Date, deposit with the Repack Paying Agent (on behalf of the Issuer) in immediately available funds, to the extent funds are available in the relevant Accounts for payment under the relevant series of Repack Notes, U.S. Dollars sufficient to make payments on the relevant series of Repack Notes due and payable on such Note Payment Date, unless the Repack Indenture Trustee and the Repack Paying Agent are the same Person, in which case, no transfer between them will be required. Unless otherwise expressly stated, all payments of principal and interest, as applicable, will be made when due in respect of such relevant series of Repack Notes from funds on deposit with the Repack Paying Agent.

The Repack Paying Agent will make payments on the Global Notes to Euroclear or Clearstream in accordance with its applicable procedures. For Certificated Notes, the Repack Paying Agent will make payments to each Holder by wire transfer of immediately available funds to an account with a bank previously specified in writing by such Holder to the Issuer and the Repack Paying Agent; *provided* that if a Holder has not provided its account details to the Issuer and the Repack Paying Agent in writing at least five Note Business Days prior to any such payment being due (or such other date as the Repack Paying Agent may accept in its discretion), such payment will be made by check mailed to the address of such Holder as it will appear in the Note Register at the time of such payment. The final installment of principal payable with respect to a Certificated Note (including upon early redemption) will be payable upon presentation and surrender of such Certificated Note to the Repack Paying Agent (whereupon the Repack Paying Agent will transfer such surrendered Certificated Note to the Repack Indenture Trustee for cancellation).

Principal on the relevant series of Repack Notes, and interest in the case of Class A Notes, will be considered paid on the date due and payable if, on such date, the Repack Indenture Trustee or the Repack Paying Agent (other than the Issuer or an Affiliate thereof) holds U.S. Dollars designated for and sufficient to pay all principal and interest then due and payable on the relevant series of Repack Notes and the Repack Indenture Trustee or the Repack Paying Agent, as the case may be, is not prohibited by applicable law from paying such money to the Holders pursuant to the terms of the Repack Trust Indenture on that date.

Principal on the relevant series of Repack Notes, and interest in the case of Class A Notes, that is payable on any Note Payment Date will be paid to the Holder entitled to receive such payment that is listed on the Note Register at the close of business on the immediately preceding Record Date.

Each Repack Note delivered under the Repack Trust Indenture upon registration of transfer of or in exchange for or in lieu of any other Repack Note will carry the rights to receive payment thereunder.

Payments or transfers provided for under the Repack Trust Indenture and the Repack Notes that are due or intended to be made on a day that is not a Note Business Day will be made on the succeeding Note Business Day.

With respect to scheduled payments due on any Note Payment Date, if the Issuer has not received an amount from the Republic corresponding to the amount required to be paid by the Issuer on such Note Payment Date, the Issuer shall defer payment on such Note Payment Date until the date of receipt of the corresponding amount from the Republic or the IDB, as

the case may be, and such deferred payment date shall be deemed to be the revised Note Payment Date and therefore a revised Note Payment Date (subject to no Note Payment Date on the Class A Notes being revised such that it is extended by more than twenty (20) Business Days from the relevant original Note Payment Date), provided that, in respect of the final scheduled Class A Note Payment Date only, if the Issuer has not received in full the principal amount payable under the Republic Notes that corresponds to the principal amount to be paid to the Class A Noteholders on the Class A Notes Maturity Date (a "**Maturity Extension Event**"), the Class A Notes Maturity Date will be extended to the earlier of:

- the date on which the Issuer receives full and final payment of any amount claimed under the IDB Guarantee;
- the date falling three (3) months after the original Class A Notes Maturity Date; and
- any such other date agreed between the Issuer and the Repack Indenture Trustee (acting on the instructions of the Holders of 100% of the aggregate outstanding balance of the Class A Notes).

The Repack Indenture Trustee shall pay to the Issuer any money held for payment with respect to the Repack Notes that remains unclaimed for two (2) years; *provided* that before making such payment the Repack Indenture Trustee may send to each Holder entitled to such money notice that the money remains unclaimed and that, after a date specified in the notice, any remaining unclaimed balance of money shall be repaid to the Issuer.

Early Redemption Events

Republic Notes Acceleration Event

In relation to the Class B Notes, following the occurrence of a Republic Notes Acceleration Event, any Class B Noteholders may at any time require that the Issuer exchanges such Holder's Notes against physical delivery to such Class B Noteholder of Republic Notes in the form of definitive notes by delivering a notice in the form specified in the Repack Trust Indenture (a "**Class B Notes Physical Settlement Notice**").

- The principal amount of Republic Notes in the form of definitive notes to be delivered to any Class B Noteholders upon such redemption shall be equal to: (i) the principal amount of Class B Notes of such Class B Noteholder that are being exchanged *multiplied by* (ii) the applicable Class B Notes Exchange Ratio.
- Upon the redemption of Class B Notes, the Calculation Agent will, within two Business Days of receipt of a Class B Notes Physical Settlement Notice, prepare and deliver to the Repack Indenture Trustee a new Class B Note Principal Payment Schedule and a new Class B Notes Redemption Schedule, which the Repack Indenture Trustee shall promptly deliver to the Class B Noteholders, and all payments and determinations in respect of the Class B Notes shall thereafter be made in accordance with such new Class B Note Redemption Schedule.
- The occurrence of a Republic Notes Acceleration Event shall only affect the Class B Notes and shall not lead to the redemption or cancellation of the Class A Notes (but without prejudice to the rights of the Class A Noteholders pursuant to an IDB Purchase Redemption Event or IDB Guarantee Event).

IDB Purchase Redemption Event.

Following the occurrence of an IDB Purchase Redemption Event, the Issuer shall:

- redeem all of the Class A Notes by payment of a final redemption amount equal to the Class A Notes IDB Purchase Price; and
- redeem all of the Class B Notes (to the extent not already redeemed) (i) by payment of an amount equal to the IDB Purchase Price less the Class A Notes IDB Purchase Price, and (ii) against *pro rata* delivery of the remaining Republic Notes (if any) that are not sold to the IDB in connection with the IDB Purchase Redemption Event (such delivery to Class B Noteholders to be in the form of definitive notes).

IDB Guarantee Event.

Following the occurrence of an IDB Guarantee Event, the Issuer shall, if directed by 75% of the Class A Noteholders, redeem all of the Class A Notes against delivery of Republic Notes (in global form) with a principal amount equal to the

principal amount of the Class A Notes being redeemed.

If the Class A Notes are being redeemed following the occurrence of an IDB Guarantee Event, and any Class B Notes have not been redeemed, the Issuer shall redeem or exchange all of the Class B Notes against *pro rata* delivery of any remaining Republic Notes held by the Issuer (such delivery to Class B Noteholders to be in the form of definitive notes).

For the avoidance of doubt, if the Class A Notes are not redeemed following the occurrence of an IDB Guarantee Event, this shall not prejudice the right of Class B Noteholders to exchange by physical delivery following the occurrence of a Republic Notes Acceleration Event.

Republic Notes Voluntary Prepayment Event.

Following the occurrence of the Republic Notes Voluntary Prepayment Event, the Issuer shall:

- redeem all of the Class A Notes by payment of a final redemption amount equal to the Class A Notes Voluntary Prepayment Price; and
- redeem all of the Class B Notes by payment of a final redemption amount equal to (i) the Republic Notes Voluntary Prepayment Price *minus* (ii) the Class A Notes Voluntary Prepayment Price.

Redemption Notice.

The Repack Indenture Trustee will, within three (3) Business Days following the Repack Indenture Trustee receiving written notice of an IDB Purchase Redemption Event, IDB Guarantee Event (if directed by 75% of the Class A Noteholders), or Republic Notes Voluntary Prepayment Event, as applicable:

- deliver notice and instructions to the Issuer and the Holders that an IDB Purchase Redemption Event, IDB Guarantee Event, or Republic Notes Voluntary Prepayment Event, as applicable, has occurred and that the Repack Notes are to be redeemed on a Redemption Date, which notice shall state:
    - the applicable Redemption Date, which shall be fifteen (15) days after the Indenture Trustee receives written notice of the IDB Purchase Redemption Event, IDB Guarantee Event, or Republic Notes Voluntary Prepayment Event, as applicable;
    - the amounts to be paid and/or delivered to each Holder;
    - the place or places of payment where such Repack Notes are to be surrendered for payment upon a full redemption of such Repack Notes and any other reasonable conditions to redemption that may be specified by the Issuer; and
    - the applicable Record Date; and
- no later than the applicable Redemption Date, cause the deposit into the Debt Service Account of amounts to be applied by (or pursuant to the direction of) the Repack Indenture Trustee to the redemption of the Repack Notes on the Redemption Date.

Selection of the Repack Notes to be Redeemed.

All redemptions of Repack Notes required by any provision of the Repack Trust Indenture or the Repack Notes will be made in accordance with such provision. Partial redemptions on the Repack Notes will be processed through Euroclear or Clearstream and treated by Euroclear or Clearstream, in accordance with its rules and procedures, as a "**Pro Rata Pass-Through Distribution of Principal**".

For all purposes of the Repack Trust Indenture, unless the context otherwise requires, all provisions relating to redemption of the Repack Notes will relate, in the case of any Repack Note redeemed or to be redeemed only in part, to the portion of the principal amount of that Repack Note which has been or is to be redeemed.

Any Repack Note that is to be redeemed in full will be surrendered to the Repack Paying Agent for further delivery to the Repack Indenture Trustee for cancellation. Any Repack Note that is to be redeemed in part will not be surrendered and the Holder thereof will make annotations thereon to reflect the payments made with respect to such Repack Note on the applicable Redemption Date.

No Gross-Up or Tax Redemption on the Repack Notes

All payments in respect of the Repack Notes will be made free and clear of, and without withholding or deduction for, any present or future Taxes (including, without limitation, duties, assessments or governmental charges), unless such withholding or deduction is required by applicable Law, as modified by the practice of any relevant governmental revenue authority. If the Issuer is so required to deduct or withhold any Taxes (including, without limitation, duties, assessments or governmental charges) from the payments in respect of the Repack Notes, then the Issuer will make such payments net of such Taxes (including, without limitation, duties, assessments or governmental charges) and will not be obligated to pay any additional amounts or be able to redeem the Repack Notes in respect of such withholding or deduction. See "*Risk Factors— Risks Relating to the Issuer— Changes in tax law in Luxembourg may impact tax treatment of the Issuer"* and "*Taxation – Certain Luxembourg Tax Considerations"*.

Security and Guarantee

Grant of Security Interest in Repack Notes Collateral

To secure the due and punctual payment of the Repack Notes when and as the same will become due and payable and interest on overdue payments on the Repack Notes, and to secure the obligations of the Issuer under the Repack Trust Indenture and under the Repack Notes, and to secure compliance with the provisions of the Repack Trust Indenture and any Repack Indenture Supplement, the Issuer will, pursuant to the Repack Trust Indenture and the other Security Documents to which it is a party, grant a first-priority security interest in and mortgage on and pledge, assign, convey, deliver, transfer and set over to the Collateral Agent (directly or to an agent thereof), to be held in trust for the benefit of the Repack Secured Parties, all of the Issuer's right, title and interest in and to the following Properties of the Issuer, wherever located, whether now owned or acquired or created (all of the following being referred to as "**Repack Notes Collateral**"):

- the Accounts, other than the Issuer Guarantee Escrow Account, and all other "deposit accounts" (as defined in Section 9-102 of the New York UCC) and "securities accounts" (as defined in Section 8-501 of the New York UCC) of the Issuer (including any sub-accounts of any such Account, deposit account or sub-account), all money, investment property, instruments and other property on deposit from time to time in, credited to or related to such Accounts and all other deposit accounts and securities accounts of the Issuer (including any sub-accounts of any such Account, deposit account or sub-account), and in all interest, dividends, earnings, income and other distributions from time to time received, receivable or otherwise distributed or distributable thereto or in respect thereof (including any accrued discount realized on liquidation of any investment purchased at a discount), other than any money on deposit in the Issuer's deposit accounts in Luxembourg to which share subscription fees and transaction fees will have been paid (and all interest accrued thereon);

- the Republic Notes, the Republic Notes Indenture and the Issuer's right to receive all sums or assets which may become payable under any claim, award or judgement relating to the Republic Notes or the Republic Notes Indenture from the Republic, provided that any Republic Notes that are held in the form of Guaranteed Definitive Notes (and any of the Issuer's rights in relation to such Guaranteed Definitive Notes) shall not form part of the Repack Notes Collateral;

- its rights, title and interest (but not its obligations) under each Finance Document to which it is a party or a beneficiary;

- all of the Issuer's other assets other than (a) those in the subparagraphs above and (b) any funds on deposit in the Issuer's bank accounts in Luxembourg to which share subscription fees and transaction fees will have been paid;

- money, accounts, general intangibles, payment intangibles, contract rights, chattel paper, instruments, documents, goods, investment property, deposit accounts, certificates of deposit, letters of credit, and advices of credit consisting of, arising from or related to the foregoing; and

- all proceeds, products, accessions, profits of any and all the foregoing and all collateral security, supporting obligations and Guarantees, other than the IDB Guarantee, given by any Person with respect to any of the foregoing.

Grant of Security Interest in Class A Notes Collateral

To secure the due and punctual payment of the Class A Notes when and as the same will become due and payable and interest on overdue payments on the Class A Notes, and to secure the obligations of the Issuer under the Repack Trust Indenture and under the Class A Notes, and to secure compliance with the provisions of the Repack Trust Indenture and any Repack Indenture Supplement, the Issuer will, pursuant to the Repack Trust Indenture and the other Security Documents to which it is a party, grant a first-priority security interest in and mortgage on and pledge, assign, convey, deliver, transfer and set over to the Collateral Agent (directly or to an agent thereof), to be held in trust for the benefit of the Class A Secured Parties, all of the Issuer's right, title and interest in and to the following Properties of the Issuer, wherever located, whether now owned or acquired or created (all of the following being referred to as "**Class A Notes Collateral**", and together with the Repack Notes Collateral, the "**Collateral**"):

- the Republic Notes, the Republic Notes Indenture and the Issuer's right to receive all sums or assets which may become payable under any claim, award or judgement relating to the Republic Notes or the Republic Notes Indenture from the Republic solely to the extent that such Republic Notes are held in the form of Guaranteed Definitive Notes;

- the Issuer Guarantee Escrow Account, all money, investment property, instruments and other property on deposit from time to time in, credited to or related to the Accounts of the Issuer, and in all interest, dividends, earnings, income and other distributions from time to time received, receivable or otherwise distributed or distributable thereto or in respect thereof (including any accrued discount realized on liquidation of any investment purchased at a discount); and

- the IDB Guarantee, the IDB Escrow Agreement, the Early Disbursement Guarantor Escrow Account and the Issuer's right to receive all sums or assets which may become payable under any claim, award or judgement relating to the IDB Guarantee or the IDB Escrow Agreement from the IDB or the Republic Indenture Trustee, as applicable.

The Issuer agrees that:

- the Collateral, and the rights it may have with respect to the Collateral, will be subject to the terms of the Repack Trust Indenture and the Security Documents; and

- any and all payments to be made to the Issuer under each Finance Document to which it is a party will be delivered to the Collateral Agent and/or the Repack Indenture Trustee for application as provided in the Repack Trust Indenture.

Representations and Warranties in respect of the Collateral

The Issuer will represent and warrant to the Collateral Agent and the Holders that, as of the Note Closing Date:

- The Repack Trust Indenture and each other Security Document creates a valid and continuing security interest (as defined in the New York UCC) in the Collateral in favor of the Collateral Agent for the benefit of the Secured Parties, which security interest is prior to all other Liens, and is enforceable as such against creditors of and purchasers from the Issuer.

- The Issuer owns and has good and marketable title to the Collateral free and clear of any Lien, claim or encumbrance of any Person. The Issuer has received all consents and approvals required by the terms of the Collateral to the transfer to the Secured Parties of its interest and rights in the Collateral.

- Other than the security interest granted to the Secured Parties pursuant to the Repack Trust Indenture and the other Security Documents, the Issuer has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Collateral. The Issuer has not authorized the filing of and is not aware of any financing statements against the Issuer that include a description of collateral covering the Collateral other than any financing statement relating to the security interest granted to the Secured Parties or that has been terminated. The Issuer is not aware of any judgment or tax lien filings against the Issuer.

- Each Account constitutes a "securities account" (within the meaning of section 8-501 of the New York UCC) with respect to securities and security entitlements and a "deposit account" (within the meaning of section 9-102 of the New York UCC) with respect to cash deposited in or credited to such Account. The Republic

Notes constitute "general intangibles" within the meaning of the New York UCC.

- The Issuer has caused or will have caused, on or prior to the Note Closing Date, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable Law in order to perfect the security interest in the Collateral granted to the Collateral Agent for the benefit of the Secured Parties.

- All of the Collateral constituting securities entitlements (as defined in the New York UCC) has been and will have been credited to one of the securities accounts over which the Collateral Agent has a perfected security interest. The securities intermediary for each such securities account has agreed to treat all assets credited to such securities accounts, other than cash, as "financial assets" (as defined in the New York UCC).

- The Issuer has granted "control" (as defined in Section 8-106 of the New York UCC) over the Accounts to the Collateral Agent by the agreement of the Securities Intermediary to maintain such Accounts with the Collateral Agent as the sole "entitlement holder" (as defined in Section 8-102(a)(7) of the New York UCC) thereunder.

- The Issuer intends the security interest granted pursuant to the Repack Trust Indenture and the other Security Documents in favor of the Collateral Agent for the benefit of the Secured Parties to be prior to all other Liens in respect of the Collateral, and the Issuer will take all actions necessary to obtain and maintain, in favor of the Collateral Agent for the benefit of the Secured Parties, a first Lien on and a first-priority, perfected security interest in the Collateral.

- The foregoing representations and warranties will remain in full force and effect and will not be waived or amended until the Repack Notes are paid in full or otherwise released and discharged.

Demands under IDB Guarantee and IDB Escrow Agreement.

If the Republic fails to make a payment of principal and/or interest on the Republic Notes, and such non-payment leads to the Issuer not making a payment in full of a Principal Payment and/or an Interest Payment on the Class A Notes on the originally scheduled Class A Notes Principal Payment Date and/or originally scheduled Class A Notes Interest Payment Date, as applicable, then the Repack Indenture Trustee shall, on behalf of the Issuer (in its capacity as a holder of the Republic Notes), instruct promptly, and in any event within three (3) Business Days of the date on which the Issuer fails to make a payment of principal or interest on the Class A Notes, the Republic Indenture Trustee to submit an IDB Guarantee Demand Notice under the IDB Guarantee in the form set out in Exhibit I to the Repack Trust Indenture (*Form of Demand Notice Request*).

In the event that an Early Disbursement Event has occurred and the IDB has deposited an amount equal to the Maximum Guaranteed Amount into the Early Disbursement Guarantor Escrow Account, the provisions above shall continue to apply, except:

- all references to the IDB Guarantee shall be construed as references to the IDB Escrow Agreement; and

- all references to an IDB Guarantee Demand Notice shall be construed as references to an Escrow Account Demand Notice.

Class B Rights following Reduction in Note Balance or Non-payment of Scheduled Principal Payment on Class B Notes.

If on any date (i) the Note Balance of the Class B Notes declines below 10% for the purposes of determining the Majority Holders, (ii) the Republic fails to make a payment of principal and/or interest on the Republic Notes, (iii) such non-payment leads to the Issuer not making a payment in full of a Principal Payment on the Class B Notes on the originally scheduled Class B Notes Principal Payment Date, and (iv) non-payment of such Principal Payment remains outstanding for more than one (1) year, the majority Holders of the Class B Notes may instruct the Repack Indenture Trustee, on behalf of the Issuer (in its capacity as a holder of the Republic Notes) in the form set out in Exhibit C to the Repack Trust Indenture (*Form of Noteholder Instruction*) to accelerate the Republic Notes in accordance with their terms and conditions.

If on any date (i) the Republic fails to make a payment of principal and/or interest on the Republic Notes, and (ii) such non-payment leads to the Issuer not making a payment in full of a Principal Payment on the Class B Notes on the originally scheduled Class B Notes Principal Payment Date, the majority Holders of the Class B Notes may instruct the Repack Indenture Trustee, on behalf of the Issuer (in its capacity as a holder of the Republic Notes) in the form set out in Exhibit C to the Repack Trust Indenture (*Form of Noteholder Instruction*), to instruct the Republic Indenture Trustee to submit a claim for the any

amounts that remain unpaid on the Republic Notes, provided that no such instruction may be given more than twice in any calendar year, the amount to be claimed by the Republic Indenture Trustee on behalf of the Class B Noteholders cannot exceed the aggregate of all scheduled Principal Payment(s) on the Class B Notes that remain unpaid as of such date (and without duplicating any claims of the Republic Indenture Trustee already made or requiring the Republic Indenture Trustee to take further actions without being secured and/or indemnified to its satisfaction).

Accounts under the Repack Trust Indenture

Establishment of Accounts

The Securities Intermediary will represent, warrant and agree in the Repack Trust Indenture that it has established, on the Note Closing Date pursuant to the direction of the Issuer, the following special, non-interest bearing U.S. Dollar-denominated accounts (or, in respect of the Issuer Notes Escrow Accounts below, a non-interest bearing Euro-denominated account) segregated on its books and records (collectively, the "**Accounts**"), in the name and at the direction of the Issuer:

- the "Issuer Securities Account";
- the "Issuer Expense Account (USD)";
- the "Issuer Expense Account (EUR)";
- the "Issuer Notes Escrow Account";
- the "Issuer Guarantee Escrow Account"; and
- the "Debt Service Account".

Issuer Securities Account

The Republic Notes purchased by the Issuer shall be deposited and held in the Issuer Securities Account.

The Republic Notes deposited and held in the Issuer Securities Account will be applied by the Securities Intermediary as follows:

- in respect of an IDB Purchase Redemption Event, by delivery to the IDB; and
- in respect of an Early Redemption Event, to the extent required by the Issuer in order to satisfy its obligations to deliver Republic Notes (whether in global form or in definitive form) to a redeeming Holder.

Issuer Expense Accounts

The Issuer Expense Accounts shall be funded by the Class A Notes Placement Agent or the Class B Notes Initial Purchaser, as applicable, no later than two (2) Business Days after the Note Closing Date with an amount in the relevant currency equal to the Ongoing Fees Reserve Required Amounts.

The Ongoing Fees Reserve Required Amount shall consist of (i) the EUR equivalent (converted at the spot rate on the Note Closing Date minus any applicable interchange fees) of U.S.$1,453,512.42 and (ii) $1,763,935 for fees and expenses payable in accordance with the Ongoing Fees and Expenses Schedule and indemnification or unexpected expense amounts payable by the Issuer pursuant to the Repack Trust Indenture (the amount in excess of the scheduled fees and expenses being the "**Indemnity Reserve**"). The parties agree that $250,000 of the Indemnity Reserve shall be for the sole use of The Bank of New York Mellon for any indemnity or expense amounts owed to it pursuant to the Repack Trust Indenture by the Issuer (the "**BNYM Indemnity Reserve**") and that no other party shall have access to the BNYM Indemnity Reserve.

Amounts deposited into the Issuer Expense Accounts will be applied by the Securities Intermediary as follows:

- if any amount becomes due and payable by the Issuer in accordance with the Transaction Documents, so long as the Issuer has received notice setting out in reasonable detail the amount payable and/or invoiced to the Issuer and there are sufficient funds standing to the credit of the relevant Issuer Expense Account, on the payment date set out in an instruction letter in the form of Exhibit G to the Repack Trust Indenture (*Form of Payment Instruction*), delivered by the Issuer; and

- on each date set forth in the Ongoing Fees and Expenses Schedule, the Securities Intermediary will apply funds on deposit in the Issuer Expense Account in the relevant currency to pay any ongoing fees, expenses and indemnities (including all fees, expenses and indemnities payable by the Issuer pursuant to the Fee Letters, the Repack Trust Indenture and the Corporate Services Agreement) in accordance with the instructions of the Issuer or the Ongoing Fees and Expenses Schedule, as applicable.

Issuer Notes Escrow Account

The Issuer Notes Escrow Account will be funded with payments of (A) principal and interest received under Republic Notes and any other amounts received under the Republic Notes including without limitation gross-up of withholding taxes payable by the Republic provided that any receipts in respect of Republic Notes that are held in the form of Guaranteed Definitive Notes shall not be funded to the Issuer Notes Escrow Account, and (B) any amounts received by the Issuer in respect of an IDB Purchase Redemption Event.

Prior to an acceleration of the Repack Notes due to the occurrence and continuation of an Event of Default, after payments of principal and interest under the Republic Notes are deposited into the Issuer Notes Escrow Account, the Securities Intermediary will transfer from the Issuer Notes Escrow Account to the Debt Service Account, the amount necessary to make the applicable payments set forth in the Note Payment Schedule on the next succeeding Note Payment Date.

Amounts received by the Repack Indenture Trustee upon enforcement of the Security Documents net of any amounts deducted for the payment of enforcement costs of and any other amounts owing to the Repack Indenture Trustee, Collateral Agent and the Agents pursuant to the Repack Trust Indenture and the other Finance Documents, including reasonable attorneys' fees, disbursements and expenses (to the extent such fees, disbursements and expenses have not been funded by amounts standing to the credit of the Issuer Expense Accounts), and subject to terms and conditions in the Repack Trust Indenture, will be deposited by the Indenture Trustee into the Issuer Notes Escrow Account, *provided that* all amounts received in respect of the IDB Guarantee (or, if applicable, the Early Disbursement Guarantor Escrow Account) will be deposited into the Issuer Guarantee Escrow Account.

Issuer Guarantee Escrow Account

The Issuer Guarantee Escrow Account will be funded with payments received under the Guaranteed Definitive Notes, IDB Guarantee or the IDB Escrow Agreement.

Prior to an acceleration of the Class A Notes due to the occurrence and continuation of an Event of Default, after funds are deposited into the Issuer Guarantee Escrow Account, the Securities Intermediary will transfer from the Issuer Guarantee Escrow Account to the Debt Service Account, the amount necessary to make the applicable payments set forth in the Class A Note Payment Schedule on the next succeeding Class A Note Payment Date.

Following an acceleration of the Class A Notes due to the occurrence and continuation of an Event of Default and enforcement of the Security Documents, amounts received by the Repack Indenture Trustee in respect of the IDB Guarantee (or, if applicable, the Early Disbursement Guarantor Escrow Account), will be deposited into the Issuer Guarantee Escrow Account.

Debt Service Account

The Debt Service Account will be funded by transfer from the Issuer Notes Escrow Account. Funds on deposit in the Debt Service Account will be used for the payment when due on any Note Payment Date of amounts due with respect to the relevant series of Repack Notes.

Partial Payments

If funds on deposit in the Issuer Notes Escrow Account are insufficient to meet the relevant payments due on any Note Payment Date of amounts due with respect to the Notes, the amounts available standing to the credit of the Issuer Notes Escrow Account shall be applied in the order set out in the Repack Notes Payments Waterfall below (*see "– Application of Monies Collected by the Repack Indenture Trustee"* below).

If funds on deposit in the Issuer Guarantee Escrow Account are insufficient to meet the relevant payments due on any Note Payment Date of amounts due with respect to the Class A Notes, the amounts available standing to the credit of the Issuer Guarantee Escrow Account shall be applied in the order set out in the Repack Notes Payments Waterfall below (*see "– Application of Monies Standing to the Credit of the Issuer Guarantee Escrow Account"* below).

Disposition of Accounts Upon Retirement of the Repack Notes

After all amounts due under the Repack Notes and all fees, charges, expenses and indemnities of the Repack Indenture Trustee, Collateral Agent and the Agents and all other amounts required to be paid by the Issuer under the Repack Trust Indenture and under the other Finance Documents have been paid in full and the Repack Trust Indenture has been satisfied and discharged, the Securities Intermediary will transfer all amounts remaining in all remaining Accounts to the Issuer.

Limited Recourse Against Issuer

The Secured Parties acknowledge and agree that (a) the Issuer is a Luxembourg securitisation company; (b) notwithstanding anything in the Repack Trust Indenture to the contrary, each party further acknowledges and agrees that any payment obligation of the Issuer under the Repack Trust Indenture shall be limited recourse obligations of the Issuer, limited to the assets allocated to and segregated in the Issuer (excluding, for the avoidance of doubt, any assets of the Issuer itself, its share capital). If the assets allocated to the Issuer are insufficient to pay any amount or claim owed by the Issuer under the Repack Trust Indenture, such shortfall shall be deemed extinguished and the Issuer shall have no further obligation towards the relevant party (or parties) in respect of such amount or claim; (c) notwithstanding anything in the Repack Trust Indenture to the contrary, each of the parties agrees that it shall not initiate, or join any person in initiating, or threat the initiation, or take any corporate action or other steps or legal proceedings for or in relation to any bankruptcy, winding-up, dissolution, reorganization, insolvency, reprieve from payment, fraudulent conveyance, controlled management, general settlement or composition with creditors, or any similar proceedings against the Issuer or for the appointment of a receiver, examiner, trustee, liquidator, provisional liquidator, interim examiner, sequestrator or similar officer of the Issuer or of any or all of the Issuer's revenues and assets, under any applicable law or in any relevant jurisdiction; (d) notwithstanding anything in the Repack Trust Indenture to the contrary, each of the parties further agrees that it is deprived from any right to seize any assets of the Issuer and/or any of its compartments, including any of the Issuer's assets; and (e) notwithstanding anything in the Repack Trust Indenture to the contrary, no personal liability shall attach to or be incurred by any shareholder, member, equity holder, officer, agent or manager of the Issuer, under or by reason of any of the obligations, covenants or agreements of the Issuer contained in or implied from the Repack Trust Indenture and any and all personal liability of every such shareholder, member, equity holder, officer, agent or manager for breaches by the Issuer of any such obligations, covenants or agreements, either at law or by statute or constitution, is expressly waived by the parties as a condition of and consideration for the execution of the Repack Trust Indenture. This survives termination of the Repack Trust Indenture for any reason whatsoever.

Covenants

The Issuer will covenant and agree, as applicable, for the benefit of the Holders that, so long as the Repack Trust Indenture is in effect and any Repack Notes remain Outstanding:

- *Payment of Repack Notes*. It will duly and punctually pay or cause to be paid the principal of and interest on each of the Repack Notes and any other payments to be made by the Issuer under the Repack Notes and the Repack Trust Indenture at the place or places, at the respective times and in the manner provided in the Repack Notes and the Repack Trust Indenture.

- *Use of Proceeds*. It will, subject to the terms of the Repack Trust Indenture, apply the proceeds of the issuance of the Repack Notes as described in *"—Accounts under the Repack Trust Indenture* ".

- *Payment of Taxes, Claims and Obligations*. It will, prior to the time penalties, fines, additions or similar other charges will attach thereto, timely pay and discharge or cause to be paid and discharged all Taxes imposed upon it and for which it is liable or upon its income or profits or, in respect of it, upon any of the Collateral or required to be withheld and all lawful claims or obligations that, if unpaid, would become a Lien upon the Collateral or upon any part thereof; *provided* that it will not be required to pay any such Taxes if (a) there is a Good Faith Contest by it thereof, (b) the failure to pay such Taxes when otherwise due would not adversely affect the priority or enforceability of any Lien over any of the Collateral required to be created under the Repack Trust Indenture and (c) adequate reserves are being maintained by it for those Taxes in accordance with GAAP. It will promptly pay or cause to be paid any valid, final judgment enforcing any such Tax and cause the same to be satisfied in full unless such judgment is then the subject of a Good Faith Contest. It will notify the Repack Indenture Trustee in writing, promptly following the occurrence thereof, of any Good Faith Contests pending or to its actual knowledge threatened between it and any Governmental Authority relating to claims for Taxes due in an amount exceeding in the aggregate U.S.$ 500,000.

- *Compliance Certificate*. It will deliver to the Repack Indenture Trustee within 90 days after the end of each of its fiscal years commencing on or after December 31, 2019 an Officer's Certificate stating that, in the

course of the performance by the signers of their duties as Officers of the Issuer, they would normally have knowledge of any Default or Event of Default and whether or not the signers knew of any Default or Event of Default that occurred during such period. If they do have knowledge of any Default or Event of Default and such information has not already been previously furnished to the Repack Indenture Trustee pursuant to the Repack Trust Indenture, the Officer's Certificate will describe the Default or Event of Default, its status and what action the Issuer is taking or proposes to take with respect thereto.

- *Further Assurances*. (a) It will execute and deliver, from time to time and at its expense, such other documents as will be required by Law or will be necessary or advisable in connection with the creation, exercise or perfection of the rights and remedies of the Repack Indenture Trustee and the Collateral Agent granted or provided for by the Finance Documents to which it is a party and to consummate the transactions contemplated therein; *provided* that nothing in the Repack Trust Indenture will be deemed to require it to amend, waive or vary any provision relating to recourse against others; (b) it will, at its own expense, take all actions that are necessary to establish, maintain, preserve, protect, perfect and continue the perfection and the first-priority of the Liens created by the Repack Trust Indenture and by the other Security Documents to which it is a party, including taking all such actions as may be necessary to prepare, execute and file, under any applicable Law, all necessary public deeds, financing statements, continuation statements or other instruments, notices or documents in all places necessary or advisable to establish, maintain and perfect such Liens. It will furnish timely notice of the necessity of any such action, together with such instruments, in execution form, and such other information as may be required to enable the Repack Indenture Trustee or any other Person, as the case may be, to effect any such action; (c) it will, to the maximum extent permitted by applicable Law, do everything necessary to (i) create security arrangements, including, if applicable, the establishment of a trust or pledge or the perfection of any Lien granted, with respect to future assets that are intended to be secured pursuant to the Repack Trust Indenture and by the Security Documents to which it is a party in accordance with the requirements of any Relevant Jurisdiction and (ii) preserve and protect the Collateral and protect and enforce its rights and title, and the rights and title of the Secured Parties, to the security created by the Repack Trust Indenture and by the Security Documents to which it is a party; and (d) it will not, in any transaction or series of related transactions, sell or otherwise dispose of any real or personal property or assets other than in accordance with the Repack Trust Indenture and the Finance Documents.

- *Waiver of Stay, Extension or Usury Laws*. It covenants, to the extent that it may lawfully do so, that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of any stay or extension Law or any usury Law or other Law that would prohibit or forgive it from paying all or any portion of its obligations under the Finance Documents, wherever enacted, now or at any time in force, or that may affect the covenants or the performance of the Repack Trust Indenture. It expressly waives (to the extent that it may lawfully do so) all benefit or advantage of any such Law and covenants that it will not hinder, delay or impede the execution of any power granted to the Repack Indenture Trustee or the Collateral Agent, but will suffer and permit the execution of every such power as though no such Law had been enacted.

- *Inspection of Books, Property and Records***.** It will at all times keep proper books, records and accounts of all of its business and financial affairs in accordance with GAAP. Subject to requirements of applicable Law and upon written notice from the Repack Indenture Trustee, it will permit the Repack Indenture Trustee and any Holder or any agents, experts or representatives of any of the foregoing Persons from time to time during normal business hours to examine its books, records and accounts relating to the Transactions.

- *Ranking of Obligations*. (a) It will ensure that its payment obligations with respect to the Repack Notes constitute its direct secured obligations ranking at least *pari passu* in right of payment to all its other outstanding Debt of it, present or future; and (b) it will not permit the validity or effectiveness of the Repack Trust Indenture to be impaired, or permit any Lien granted by it pursuant to the Repack Trust Indenture or any Security Document to which it is a party to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations with respect to the Repack Notes under the Repack Trust Indenture except as may be expressly permitted under the Repack Trust Indenture.

- *Debt*. It will not Incur any Debt except for Permitted Debt.

- *Liens*. Without limiting its obligations, it will not create, incur, assume or suffer to exist any Lien, excise or claim to be created on or extend to or otherwise arise upon or burden any of its property or any part thereof or any interest therein or the proceeds thereof (whether owned on the Note Closing Date or acquired thereafter

and including the Collateral), or assign any right to receive income, other than Permitted Liens.

- *Restricted Payments*. It will not make any Restricted Payment.

- *Compliance with Rule 144A*. For so long as any of the Repack Notes remain Outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, it will furnish, upon the request of any Holder, such information as is specified in Rule 144A(d)(4) under the Securities Act: (a) to such Holder, and (b) to a prospective purchaser of such Repack Note (or beneficial interests therein) who is a QIB designated by such Holder, in each case in order to permit compliance by such Holder with Rule 144A in connection with the resale of such Repack Note (or beneficial interest therein) in reliance upon Rule 144A unless, at the time of such request, the Issuer is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act or is included in the list of foreign private issuers that claim exemption from the registration requirements of Section 12(g) of the Exchange Act (and therefore is required to furnish the SEC certain information pursuant to Rule 12(g)3-2(b) thereunder). All such information will be in the English language.

- *Subsidiaries; Deposits; Investments*. It will not: (a) form or have any subsidiary; (b) own any equity interest in, lend money or extend credit to or make deposits with or advances (other than deposits or advances in relation to the payment for goods and services in the ordinary course of business or deposits in the Accounts) to any Person other than the Collateral Agent; (c) purchase or acquire any stock, obligations or securities of, or any other interest in, or make any capital contribution to, or acquire all or substantially all of the assets of, any other Person, or purchase or otherwise acquire (in one or a series of related transactions) any part of the property or assets of any Person, except that it may acquire and hold the Republic Notes as contemplated by the Repack Trust Indenture; and (d) it will not open or maintain any bank account other than (1) any bank account with the Securities Intermediary or (2) any accounts in Luxembourg to which share subscription amounts are to be or have been paid, *provided* that at no time will the amount on deposit in such accounts as described in (2) above exceed the total share subscription amounts owed plus interest accrued thereon.

- *Limitation on Guaranties*. Except as expressly contemplated by the Finance Documents, it will not contingently or otherwise be or become liable, directly or indirectly, in connection with any Guaranty.

- *Prohibition on Fundamental Changes*. It will not: (a) consolidate, directly or indirectly, with or merge with or into any other Person; (b) permit any other Person to consolidate, directly or indirectly, with or merge into it; (c) except as expressly contemplated by the Finance Documents, in any transaction or series of related transactions, directly or indirectly transfer, convey, sell, lease or otherwise dispose of any of its property; (d) liquidate or dissolve itself (or suffer any liquidation or dissolution to occur) or take certain actions set forth in the definition of Bankruptcy Event; (e) initiate or enter into any split-off or division; or (f) enter into any transaction or series of transactions substantially equivalent to any of the foregoing.

- *No Consent to Changes in Republic Notes*. It will not consent to any extension, adjustment, rescission, amendment or other modification of the Republic Notes (or any agreements with respect thereto) without the consent of the Repack Indenture Trustee solely acting at the direction of the Majority Holders in accordance with the Repack Trust Indenture.

- *Nature of Business*. It will not (a) engage in any business other than as provided for in the Finance Documents and the activities incidental thereto or (b) change its type of organization, jurisdiction or other legal structure.

- *Modifications of Charter Documents; Additional Agreements*. It will not amend or modify any of its Charter Documents (except as may be required by Law) or change its fiscal year unless such action could not reasonably be expected to adversely affect its capitalization or its capital structure or reasonably be expected to result individually or in the aggregate in a Material Adverse Effect. It will not become a party to any agreement, contract or commitment other than the Finance Documents, agreements, contracts or commitments contemplated by the Finance Documents or other contracts entered into by it in the ordinary course of business unless (a) it will deliver an Officer's Certificate to the Repack Indenture Trustee containing a certification that its becoming a party to such agreement, contract or commitment could not reasonably be expected to result individually or in the aggregate in a Material Adverse Effect and (b) such agreement or contract, together with such rights thereunder, is pledged by it (with the express written consent of the other party) to the Collateral Agent for the benefit of the Secured Parties as Collateral.

- *Capital Expenditures*. It will not make any Capital Expenditures.

- *Corporate Form, Compliance with Charter Documents*. (a) Subject to mandatory requirements of Luxembourg Law, it will, to the maximum extent permitted by applicable Law, do or cause to be done all things necessary to maintain itself in existence in its current corporate form and status under the Law of such jurisdiction. It will obtain and maintain, or cause to be obtained, in full force and effect and in a timely manner all Governmental Approvals, rights, franchises and licenses necessary for (i) its formation, (ii) the making by the Issuer of any payment contemplated by any Finance Document, or (iii) the enforceability or performance of any Finance Document to which it is a party (including the creation, perfection or enforceability of any Lien contemplated to be granted by it thereby) and will promptly make, or cause to be made, all required filings with governmental or similar authorities in Luxembourg to preserve, renew and keep in full force and effect its existence. (b) It will do, or cause to be done, all things necessary to comply with its Charter Documents, except such as could not reasonably be expected to result individually or in the aggregate in a Material Adverse Effect.

- *Compliance with Law, Contractual Obligations*. (a) It will comply in all material respects with all requirements of Law and Governmental Approvals applicable to it and its contractual obligations (other than its obligations under the Finance Documents), except for such noncompliance that could not reasonably be expected to result in or contribute to the occurrence individually or in the aggregate of a Material Adverse Effect. It will comply in all material respects with its obligations contained in each Finance Document to which it is a party. It will notify the Repack Indenture Trustee in writing, promptly following the occurrence thereof, of any disputes pending or to its knowledge threatened between it and any Governmental Authority that, if resolved adversely to it, could reasonably be expected to result individually or in the aggregate in a Material Adverse Effect; and (b) it will not direct, consent to or enter into any transfer of rights, termination, suspension, assignment, amendment or waiver under or to any Finance Document to which it is a party unless it is permitted by the terms of such Finance Document.

- *Reporting Obligations*. It will furnish all certificates, reports, correspondence, notices, memoranda and other documents required to be furnished by it to the Repack Indenture Trustee and to the Rating Agencies in English or accompanied by a certified English translation. It will (a) promptly, after the sending or filing thereof, deliver to the Repack Indenture Trustee, copies of all material reports that it sends to any of its shareholders or public security holders or files with any regulatory authority or Governmental Authority; and (b) promptly, after the execution and delivery thereof, deliver to the Repack Indenture Trustee copies of all amendments, modifications or supplements to any Finance Documents. All such documents required to be furnished to the Repack Indenture Trustee will also be promptly furnished by the Issuer or at the direction of the Issuer to the Rating Agencies.

- *Principal Place of Business; Books and Records*. It will have its center of main interests in Luxembourg and will maintain in such office the originals or copies of the books and records relating to its business and for the purposes of payment of the Repack Notes as set forth in the Repack Trust Indenture.

- *Notice of Extraordinary Events*. It will deliver to the Repack Indenture Trustee and the Holders, promptly, but in all cases within five Note Business Days after it obtains knowledge thereof, a report or notice as to each of the following: (a) any event or condition that has caused or could reasonably be expected to cause individually or in the aggregate a Material Adverse Effect; (b) any Default or Event of Default under the Repack Trust Indenture or the occurrence of any default or event of default under any other Finance Documents, specifically stating that such event or condition has occurred; (c) the occurrence of an IDB Purchase Redemption Event, IDB Guarantee Event, or Republic Notes Voluntary Prepayment Event; (d) any litigation, arbitration or governmental proceeding brought against it that could reasonably be expected to cause individually or in the aggregate a Material Adverse Effect; and (e) any proceeding, arbitration or governmental proceeding, legislation or proposal by any Governmental Authority to acquire compulsorily the Issuer, all or any portion of the Collateral or to suspend, revoke or modify any material Governmental Approval related to it, its business or the Finance Documents and in each case describing the nature thereof and the action it proposes to take with respect thereto.

- *QEF Elections*. It will (a) comply with all reporting requirements necessary for a Class B Noteholder to make a qualified electing fund ("**QEF**") election under Section 1295 of the Code with respect to it, and (b) promptly following the end of each taxable year, provide to a Class B Noteholder upon written request (and at the expense of such requesting Class B Noteholder) information necessary for that Class B Noteholder to make a QEF Election, and the Issuer will take any other steps it reasonably can to facilitate such election by, and any reporting requirements of, the owner of a beneficial interest in Class B Notes.

- *Functions Performed by the Issuer*. It will not establish or maintain an office or other fixed place of business in the United States either directly or through an agent. It will not perform (and will not cause or authorize others on its behalf to perform as agent, independent contractor or otherwise) any of the following functions within the United States: (a) negotiate, make or direct the negotiation or making of contracts; *it being understood* that it and its agents may communicate via phone or electronically with Persons in the United States; (b) issue instructions to the Repack Indenture Trustee, its agents or other Persons; *it being understood* that the Issuer may issue instructions to any such Persons in the United States so long as the location at which or from which it will issue such instructions will be outside the United States; (c) communicate with its equity holders, the Holders or the general public (including any notices required to be sent pursuant to the Transactions); *it being understood* that the Issuer may communicate with any such Persons in the United States so long as the location at which or from which it will conduct such communications will be outside the United States; (d) except as specifically provided in the Repack Trust Indenture, maintain a bank account or a payment facility; (e) conduct meetings of equity holders, investors or managers; (f) maintain or audit its corporate records and books of account; (g) except as specifically provided in the Repack Trust Indenture, disburse payments of dividends, principal, interest, legal fees, accounting fees and Officers' salaries or any other expenses; (h) make any investment decisions, or take any actions, with respect to the Collateral; (i) conduct any other activity or engage in any other transaction, except to the extent that such activities or other transactions are required or expressly permitted under the Repack Trust Indenture to be done in the United States by or on behalf of the Issuer; or (j) hold itself out as, represent to others that it is, or engage in any activities customarily undertaken by a lender, dealer, middleman, market maker, retailer or wholesaler in stocks or securities, or perform any services for others with respect to its investments, or otherwise make a market in, or hold as inventory for purposes of resale to customers, any securities or assets owned by the Issuer.

- *FATCA*. It (or an agent acting on its behalf) will take such actions, including hiring agents or advisors, consistent with applicable Law and its obligations under the Repack Trust Indenture, as are necessary or advisable to comply with FATCA, including appointing any agent or representative to perform due diligence, withholding or its reporting obligations pursuant to FATCA, and any other action that it would be permitted to take under the Repack Trust Indenture in furtherance of complying with FATCA. It will provide any certification or documentation (including the applicable IRS Form W-8 or any successor form) to any payor (as defined in FATCA) from time to time as provided by Law to minimize U.S. withholding tax or backup withholding tax.

- *Listing*. The Issuer will use its reasonable best efforts to obtain and maintain the listing and quotation of the Notes on the Euro MTF.

- *Name and Identifying Information*. It will not, without providing at least 30 days' prior written notice to the Collateral Agent: change its name; change its organizational identification number (if it has one), and if it does not have one and later obtains one, it will forthwith notify the Collateral Agent of such organizational identification number; or change its principal residence, its place of business or its chief executive office or mailing address.

Information about Accounts

Information about Payments; Instructions to the Repack Indenture Trustee; Demand Notices

Immediately upon obtaining knowledge of any payment received or to be received in the Accounts, or upon the request of the Repack Indenture Trustee or the Collateral Agent, the Issuer will deliver to the Repack Indenture Trustee and the Collateral Agent an Officer's Certificate setting out all relevant information relating to such payment, to the extent known, including the payor, the amount of such payment, the nature of such payment, the sections of the Repack Trust Indenture to which such payment relates and the Account into which it will be deposited.

If the Repack Indenture Trustee receives any notice or written information from the Collateral Agent, the Calculation Agent, the Issuer or the Republic under any Finance Document, the Repack Indenture Trustee will (a) promptly make such notice or written information available to the Holders; and (b) unless otherwise set forth in the Repack Trust Indenture, may (but shall not be obligated to) request instructions from the Holders as to whether any actions should be taken by the Repack Indenture Trustee and/or the Collateral Agent in connection with such notice or written information, subject to certain entrenched rights of Holders as described in *"—Amendments— Amendments with the Consent of Majority Holders*".

Quarterly Reports on Account Balances

The Repack Indenture Trustee will make account reports available on an online platform pursuant to the terms of the BNYM Engagement Letter.

Calculation Agent

The Calculation Agent will only be obliged to perform the duties specifically set out in the Repack Trust Indenture and no implied covenants or obligations will be read into the Repack Trust Indenture against the Calculation Agent. The Calculation Agent may conclusively rely upon, and shall be protected in acting or refraining from acting upon, and shall not be bound to make any investigation into any (a) model or information provided to it in connection with the calculations and determinations to be made by the Calculation Agent, or (b) the facts or matters stated in, any resolution, certificate, statement, instrument, instruction, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness, guaranty or other paper or document (whether in original and/or facsimile form) reasonably believed by it to be genuine and to have been signed or presented by the proper Person(s). In performing its duties set out in the Repack Trust Indenture, the Calculation Agent may utilize any pricing services vendor (including securities brokers and dealers) which is necessary for it to perform its services under the Repack Trust Indenture. Under no circumstances shall the Calculation Agent be liable for any loss, damage or expense suffered or incurred by the Republic or other person as a result of errors or omissions with respect to any pricing or other information utilized by the Calculation Agent under the Repack Trust Indenture. The Calculation Agent shall not be liable for any error resulting from use of or reliance upon any model or source of information in accordance with the terms of the Repack Trust Indenture. All calculations of the Calculation Agent, in the absence of manifest error, shall be conclusive for all purposes and binding on the Issuer and the Holders. The Calculation Agent shall not be responsible to the Issuer, any Holder or any third-party for any failure of any other Person to fulfill their respective duties, meet their obligations, provide any report, certificate and/or information in connection with any determination or calculation made pursuant to the Repack Trust Indenture or as a result of the Calculation Agent having acted in good faith on any report, certificate and/or information provided to it pursuant to the Repack Trust Indenture which subsequently may be found to be incorrect.

Defaults and Remedies

Events of Default

An "**Event of Default**" will occur if any one or more of the following events has occurred and is continuing (irrespective of whether such event was caused by or arose pursuant to a Law or the action or inaction of any Governmental Authority or otherwise):

- the Issuer fails to make any payment on the relevant series of Repack Notes when the same becomes due and payable, whether on any Note Payment Date, at scheduled maturity, at redemption or by acceleration or otherwise, and such failure continues unremedied for three (3) Note Business Days after the date on which such payment was due and payable;

- the Issuer fails to perform or observe any of its covenants or agreements contained in the Repack Trust Indenture or any of the other Finance Documents (other than those specified above and such failure will remain unremedied for 30 days after written notice thereof has been given to the Issuer by the Repack Indenture Trustee (at the direction of the Majority Holders), and such failure has or would be reasonably likely individually or in the aggregate to have a Material Adverse Effect on (a) the Issuer's ability to perform any of its material obligations under the Repack Trust Indenture, the Repack Notes or any other Finance Document to which it is a party, (b) the legality, validity or priority of the Liens on the Collateral pursuant to the Repack Trust Indenture or any other Security Document, or (c) the legality, validity or enforceability of any of the Finance Documents);

- a Bankruptcy Event occurs with respect to the Issuer; or

- subject to the terms of the Repack Trust Indenture, (a) any of the Security Documents, once executed and delivered and, where appropriate, noticed to counterparties or registered in accordance with all applicable Law and the Finance Documents, (i) fails to provide the Secured Parties thereunder the Liens, remedies, powers, privileges or relative priority intended to be created thereby or ceases to be in full force and effect, or (ii) the validity thereof to all or the applicability thereof or any part of the Repack Notes, is disaffirmed by the Governmental Authority or any party thereto (other than such Secured Parties) or (b) any Collateral is attached by any Person (other than the Secured Parties in accordance with the Security Documents) and any

such attachment is not removed within 45 days.

Enforcement of Remedies

Upon the occurrence and during the continuance of an Event of Default:

- in the case of an Event of Default involving a Bankruptcy Event, the entire Note Balance, to the fullest extent permitted by applicable Law, all other amounts payable by the Issuer to any Secured Party under the Repack Notes, the Repack Trust Indenture and the other Finance Documents, if any, will automatically become due and payable without presentment, demand, protest or notice of any kind, all of which are waived; and

- in the case of any Event of Default other than a Bankruptcy Event occurring in respect of the Issuer, the Majority Holders may, by notice to the Issuer and each Holder (with a copy to the Repack Trust Indenture Trustee), declare the entire Note Balance and, to the fullest extent permitted by applicable Law, other amounts payable by the Issuer to the Secured Parties under the Repack Notes, the Repack Trust Indenture and the other Finance Documents, if any, to be due and payable, whereupon the same will become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are waived.

If an Event of Default occurs and is continuing and a Trust Officer of the Repack Indenture Trustee has received written notice thereof, the Repack Indenture Trustee will notify each Holder of the Event of Default within five (5) Note Business Days after its receipt of written notice and will send a copy of that notice to each Rating Agency.

At any time after the Note Balance will have become due and payable upon a declared acceleration, and before any judgment or decree by a court of competent jurisdiction for the payment of the money so due, or any portion thereof, will be entered, the Majority Holders, by written notice to the Issuer and the Repack Indenture Trustee, may rescind and annul such declaration and its consequences, if:

- there will have been paid to or deposited with the Repack Indenture Trustee a sum sufficient to pay:
    - the principal of the Repack Notes that have become due other than by such declaration of acceleration; and
    - all sums paid or advanced by the Repack Indenture Trustee and the reasonable compensation, expenses, disbursements, indemnities and advances of the Repack Indenture Trustee, its agents and counsel; and
- all Events of Default, other than non-payment of the principal of the Repack Notes that have become due solely by such acceleration, have been cured or waived.

No such rescission will affect any subsequent default or impair any right consequent thereon.

Upon the Repack Notes being accelerated, the Repack Indenture Trustee will apply any amounts on deposit in the Accounts in accordance with the terms of the Repack Trust Indenture.

Specific Remedies

If any Event of Default will have occurred and be continuing and an acceleration will have occurred, the Repack Indenture Trustee will, subject to the terms of the Repack Trust Indenture and any applicable Law, apply the amounts in the Accounts for the benefit of the Secured Parties and such other Persons as provided for in the Repack Trust Indenture. Without limiting the foregoing, if any Event of Default will have occurred and be continuing and an acceleration will have occurred, subject to the terms of the Repack Trust Indenture and any applicable Law, the Repack Indenture Trustee, by such independent investment bank or other agent as it may appoint at the expense of the Issuer, may, at the direction of the Majority Holders (provided it has received any combination of indemnity and security satisfactory to it from the Holders) (i) sell, instruct the Collateral Agent to sell or otherwise cause the sale, without recourse, for cash, or credit or for other property, for immediate or future delivery, and for such price or prices and on such terms as the Repack Indenture Trustee independent investment bank or other agent (as the case may be) in its discretion may determine, the Collateral, in whole or in part, at public or private sale, and the Issuer will cooperate and assist in obtaining any required government consent to such sale or (ii) foreclose or cause foreclosure under the Repack Trust Indenture or sell the Collateral or to take any other remedies available under the Repack Trust Indenture. Any price obtained in a public or private sale will be conclusive and binding, and neither the Repack Indenture Trustee nor the Collateral Agent will incur any liability with respect to the same. The Repack Indenture Trustee and Collateral Agent shall incur no liability as a result of the sale (whether public or private) of the Collateral or any part thereof at any sale

pursuant to Article 7 of the Repack Trust Indenture conducted in a commercially reasonable manner. Each of the Issuer and the Holders hereby waives any claims against the Repack Indenture Trustee and Collateral Agent arising by reason of the fact that the price at which the Collateral may have been sold at such sale (whether public or private) was less than the price that might have been obtained otherwise, even if the Repack Indenture Trustee, Collateral Agent or a representative thereof accepts the first offer received and does not offer the Collateral to more than one offeree, so long as such sale is conducted in a commercially reasonable manner. Each of the Issuer and the Holders hereby agree that in respect of any sale of any of the Collateral pursuant to the terms hereof, the Repack Indenture Trustee and Collateral Agent are hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to avoid any violation of Applicable Laws, or in order to obtain any required approval of the sale or of the purchaser by any governmental authority or official, and the Issuer and the Holders further agree that such compliance shall not, in and of itself, result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall the Repack Indenture Trustee or Collateral Agent be liable or accountable to Issuer or Holders for any discount allowed by reason of the fact that the Collateral or any part thereof is sold in compliance with any such limitation or restriction.

Upon the occurrence and during the continuation of an Event of Default, the Issuer makes, constitutes and irrevocably appoints, to the fullest extent permitted by any applicable Law, the Repack Indenture Trustee (and any nominee or agent designated by the Repack Indenture Trustee) as the Issuer's true and lawful attorney-in-fact, with full power and authority, will have the right (but not the obligation), in the name of the Issuer, or in the name of the Repack Indenture Trustee, without notice to or assent by the Issuer, and to take any of the following actions, at the direction of the Majority Holders (*provided* it has received any combination of indemnity and security satisfactory to it from the Holders), and as the Majority Holders may deem necessary or appropriate: (i) to establish, maintain, preserve, protect and perfect any security interest granted or purported to be granted by the Repack Trust Indenture and/or the other Security Documents and the priority of such security interest; (ii) to enable the Repack Indenture Trustee to exercise and enforce its rights, powers and remedies under the Repack Trust Indenture and/or the other Security Documents; (iii) to take any steps required to perfect the applicable Liens, (iv) directly or by instructing the Collateral Agent to collect in, enforce payment of (including by issuing notices or demands or commencing dispute resolution procedures) or otherwise deal with or dispose of any Collateral; or (v) otherwise to accomplish the purposes of the Repack Trust Indenture and the other Finance Documents.

The Repack Indenture Trustee will (subject to its rights, including its indemnity and security rights), at the direction of the Majority Holders, take enforcement and other certain actions, on behalf of the Holders, in respect of the Finance Documents (including directing the Collateral Agent). The costs and expenses relating to such actions will be paid by the Issuer through payments from the relevant Issuer Expense Accounts (unless it recovers such amounts from the Holders by way of indemnity or otherwise) or, if there are not sufficient funds in the Issuer Expense Accounts, the Holders by way of indemnification to the Repack Indenture Trustee or the Collateral Agent, as applicable. The determination in the allocation of the proportion of allocation of costs and expenses will be final and will bind the Issuer and the Holders, and neither the Repack Indenture Trustee nor the Collateral Agent will be liable or responsible for any alleged losses which may be the product of such determination.

Notwithstanding anything in any Finance Documents or in any other agreement or document to the contrary, the Repack Indenture Trustee is being granted various rights and powers, on behalf of the Holders by the grantors of each such document. The Majority Holders will exercise such authority following an Event of Default by instructing the Repack Indenture Trustee (which, subject to its rights hereunder, will in turn further instruct or notify the Collateral Agent (subject to the Collateral Agent’s rights under the Indenture)) in the specific manner in which they have determined to exercise their rights. The notification will include specific direction to the Repack Indenture Trustee, as well as indemnification from the Holders which is satisfactory to the Repack Indenture Trustee and Collateral Agent. Following an Event of Default, the Repack Indenture Trustee's sole responsibility, subject to its rights and immunities, is to act on the direction of the Majority Holders and indemnity of the Holders in its capacity as representative of the Holders.

The Collateral Agent is appointed the attorney-in-fact of the Issuer and the Holders for the purposes of carrying out all acts of the Issuer and the Holders with respect to the Republic Notes and exercising any and all rights of the Issuer in connection therewith in each case as may be directed (directly or through the Repack Indenture Trustee) by the Majority Holders and indemnified by the Holders, as applicable, including the right to take all actions permitted of the Issuer as holder of the beneficial interests in the Republic Notes, enforce payment thereof against the Republic and issue all notices on behalf of the Issuer. The Collateral Agent may delegate any such powers to another agent or delegate permitted to be appointed under the Repack Trust Indenture and may issue any powers of attorney on behalf of the Issuer for the purposes of exercising any such powers. The Issuer will follow all instructions of the Collateral Agent with respect to any such matters related to the Republic Notes or that are required in order to perfect the applicable Liens.

The Collateral Agent is appointed the attorney-in-fact of the Issuer and the Class A Noteholders for the purposes of carrying out all acts of the Issuer and the Class A Noteholders with respect to the IDB Guarantee and exercising any and all

rights of the Issuer in connection therewith in each case as may be directed (directly or through the Repack Indenture Trustee) by the Majority Class A Noteholders and indemnified by the Class A Noteholders, as applicable, including the right to take all actions permitted of the Issuer as holder of the beneficial interests in the IDB Guarantee and the IDB Escrow Agreement, enforce payment thereof against the IDB or the Republic Indenture Trustee, as applicable, and issue all notices on behalf of the Issuer. The Collateral Agent may delegate any such powers to another agent or delegate permitted to be appointed under the Repack Trust Indenture and may issue any powers of attorney on behalf of the Issuer for the purposes of exercising any such powers. The Issuer will follow all instructions of the Collateral Agent with respect to any such matters related to the IDB Guarantee and the IDB Escrow Agreement or that are required in order to perfect the applicable Liens.

Application of Monies Collected by the Repack Indenture Trustee

Any monies collected by the Repack Indenture Trustee (or delivered to the Repack Indenture Trustee by the Collateral Agent following the occurrence of an Event of Default), together with any other monies that may then be held by the Repack Indenture Trustee under any of the provisions of the Repack Trust Indenture as security for the Repack Notes, other than any amounts standing to the credit of the Issuer Guarantee Escrow Account, will be applied (after application of any monies standing to the credit of the Issuer Guarantee Escrow Account and after application of any amounts distributed from the Issuer Expense Accounts pursuant to the Repack Trust Indenture) in the following order from time to time, on the date or dates fixed by the Repack Indenture Trustee and, in the case of a distribution of such monies on account of principal, upon presentation of the instrument representing any Repack Note Outstanding, and stamping thereon of payment, if only partially paid, and upon surrender thereof, if fully paid (the "**Repack Notes Payments Waterfall**"):

- *first*, *pro rata* to the payment of all Taxes, assessments or Liens on the Collateral which are required by applicable law to be prior to the Liens of the Repack Trust Indenture (of which the Repack Indenture Trustee is actually aware), except those subject to which any sale shall have been made (including all reasonable costs and expenses of collection, the reasonable costs and expense of handling the Collateral and of any sale thereof pursuant to the provisions of the Repack Trust Indenture and of the enforcement of any remedies hereunder), and any amounts due and payable to any of the Issuer's creditors privileged by law (to the extent applicable Bankruptcy Law applies);

- *second, pro rata* to the Repack Indenture Trustee, the Securities Intermediary, the Registrar, the Paying Agent, the Transfer Agent, the Calculation Agent and the Collateral Agent, any accrued and unpaid transaction expenses, fees or indemnities and any other amounts owing to the Repack Indenture Trustee, the Securities Intermediary, the Registrar, the Paying Agent, the Transfer Agent, the Calculation Agent and the Collateral Agent pursuant to this Repack Trust Indenture and any other Finance Documents;

- *third*, *pro rata* to the Holders, the whole amount of any accrued and unpaid interest on the Class A Notes;

- *fourth*, *pro rata* to the Holders, the payment of (i) in respect of the Class A Notes, the principal amount then due and unpaid on the Outstanding Class A Notes, and (ii) in respect of the Class B Notes, the principal amount then due and unpaid on the Outstanding Class B Notes *multiplied by* the Class B Notes Principal Ratio; and

- *fifth*, any surplus then remaining will be transferred by the Repack Indenture Trustee to the Issuer.

Any monies standing to the credit of the Issuer Guarantee Escrow Account, shall be applied in the following order from time to time, on the date or dates fixed by the Repack Indenture Trustee and, in the case of a distribution of such monies on account of principal, upon presentation of the instrument representing any Repack Note Outstanding, and stamping thereon of payment, if only partially paid, and upon surrender thereof, if fully paid (the "**Guarantor Payment Waterfall**"):

- *first, pro rata* to the Class A Noteholders, the whole amount of any interest accrued and unpaid and any principal amount then due and outstanding on the Class A Notes; and

- *second,* any surplus then remaining shall be transferred by the Repack Indenture Trustee to the Repack Indenture Trustee for application in accordance with the provisions of the Repack Trust Indenture.

Satisfaction and Discharge

The Repack Trust Indenture will be discharged and will cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the Repack Notes, and as expressly provided for in the Repack Trust Indenture) as to all Outstanding Repack Notes when:

- either: (i) all the Repack Notes theretofore executed, authenticated and delivered (except lost, stolen or destroyed Repack Notes that have been replaced or paid and Repack Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust) have been delivered to the Repack Indenture Trustee for cancellation; or (ii) all Repack Notes not theretofore delivered to the Repack Indenture Trustee for cancellation have become due and payable, and the Issuer has irrevocably deposited or caused to be deposited with the Repack Indenture Trustee U.S. Dollars sufficient to pay and discharge the entire Debt on the Repack Notes not theretofore delivered to the Repack Indenture Trustee for cancellation, together with irrevocable instructions from the Issuer directing the Repack Indenture Trustee to apply such funds to such payment;

- the Issuer has paid all other sums payable under the Repack Trust Indenture and the Repack Notes; and

- the Issuer has delivered to the Repack Indenture Trustee an Officer's Certificate and an Opinion of Counsel stating that all conditions precedent under the Repack Trust Indenture relating to the satisfaction and discharge of the Repack Trust Indenture have been complied with.

Repayment to the Issuer

The Repack Indenture Trustee will pay to the Issuer any money held for payment with respect to the Repack Notes that remains unclaimed for two (2) years; *provided* that before making such payment the Repack Indenture Trustee may send to each Holder entitled to such money, notice that the money remains unclaimed and that, after a date specified in the notice (at least 30 days after the date of the publication or notice), any remaining unclaimed balance of money will be repaid to the Issuer. After payment to the Issuer, Holders entitled to such money must look solely to the Issuer for payment, unless applicable Law designates another Person, and all liability of the Repack Indenture Trustee with respect to such money will cease.

Notices to Holders; Waivers

Notices sent to Holders of Repack Notes held in global or book-entry form shall be sent in accordance with the Depositary's standard procedures. With respect to Repack Notes held in physical form, all notices to the Holders will be published (at the expense of the Issuer) in the *Wall Street Journal* of New York, New York, the *Financial Times* of London, England and the *Luxemburger Wort* of Luxembourg (the "**Authorized Newspapers**"), or, if and so long as the Notes are listed on the Luxembourg Stock Exchange (and, if applicable, traded on the Euro MTF market of the Luxembourg Stock Exchange), published in accordance with the rules of the Luxembourg Stock Exchange. If any of such newspapers shall cease to be published, the Repack Indenture Trustee shall substitute for it another newspaper customarily published in New York, London or Luxembourg, as the case may be, at least once a day for at least five days in each calendar week, of general circulation in the place where published. If, because of temporary suspension of publication or general circulation of any newspaper or for any other reason (including cost), it is impossible or, in the opinion of the Repack Indenture Trustee, impracticable to make any publication of any notice in the manner herein provided, such publication or other notice in lieu thereof which is made with the approval of the Repack Indenture Trustee shall constitute a sufficient publication of such notice. Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication. In addition, notices will be delivered to Holders of Notes at their registered addresses. Notice sent by registered or certified mail, postage prepaid, shall be deemed to have been given, made or served three (3) Business Days after it has been sent. For purposes of clarity, the Repack Indenture Trustee shall not be required to use its own funds or utilize funds on deposit in the Issuer Expense Accounts to pay for the publication of notices pursuant to the Repack Trust Indenture.

Eligibility; Disqualification.

There shall at all times be a Repack Indenture Trustee that is an Independent organization or entity organized and doing business under the Laws of the United States of America or any state thereof, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least U.S.$100,000,000 as set forth in its most recent published annual report of condition, having long-term debt ratings of at least “A” by S&P and Fitch and having an office within the United States. If such organization or entity publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then the combined capital and surplus of such organization or entity shall be deemed to be its combined capital and surplus as set forth in its most recent published report of condition. If at any time the Repack Indenture Trustee shall cease to be eligible in accordance with the provisions of the Repack Trust Indenture, it shall notify the Issuer of the foregoing and will resign immediately in the manner and with the effect hereinafter specified in the Repack Trust Indenture upon receipt of a termination notice from the Issuer. In addition, the Repack Indenture Trustee shall at all times qualify for purposes of Rule 3a-7 under the Investment Company Act. If at any time the Repack Indenture Trustee shall cease to qualify for purposes of Rule 3a-7 under the Investment Company Act, then the Issuer shall remove the Repack

Indenture Trustee and appoint a successor Repack Indenture Trustee in accordance with the terms and conditions of the Repack Trust Indenture.

Amendments

Amendments Without the Consent of Holders

The parties to the Repack Trust Indenture may amend the Repack Trust Indenture or the Repack Notes, and the Repack Indenture Trustee will (subject to the terms of the Repack Trust Indenture) consent to any amendment or modification of any Transaction Document without notice to or consent of any Holder:

- to cure any ambiguity, defect or inconsistency in any Finance Document;
- to provide for uncertificated Repack Notes in addition to or in place of Certificated Notes, provided that the uncertificated Repack Notes are issued in registered form for purposes of Section 163(f) of the Code;
- to add Guarantees with respect to the Repack Notes or to secure the Repack Notes;
- to add to the covenants of the Issuer for the benefit of the Secured Parties or to surrender any right or power conferred upon the Issuer;
- to make any change that does not adversely affect the rights of any Secured Party in any material respect; or
- to conform the text of the Repack Trust Indenture or the Repack Notes to any provision of the "*Description of the Notes*" in this Offering Memorandum to the extent that such provision in the "*Description of the Notes*" section of this Offering Memorandum was intended to be an accurate recitation of the Repack Trust Indenture or the Repack Notes.

After an amendment becomes effective, the Issuer will deliver to the Holders a notice briefly describing such amendment. The failure to give such notice to all Holders, or any defect therein, will not impair or affect the validity of an amendment.

Where any amendment or modification of any Finance Document relates to the IDB Guarantee, all references to the Majority Holder shall be determined only by reference to Holders of the Class A Notes.

Amendments with the Consent of Majority Holders

The parties to the Repack Trust Indenture may amend the Repack Trust Indenture or the Repack Notes, and the Repack Indenture Trustee will (subject to the terms of the Repack Trust Indenture) consent to any amendment or modification of any Transaction Document with the consent of the Majority Holders, except that, without the consent of each affected Holder, any such amendment may not:

- reduce the amount of Repack Notes whose Holders must consent to an amendment or waiver;
- reduce the amounts due under or change or have the effect of changing the fixed maturity of any Repack Notes, or change the date on which any Repack Notes may be subject to redemption;
- make any Notes payable in money other than that stated in the Repack Notes; or
- make any change in the provisions of the Repack Trust Indenture entitling each Holder to receive payment on such Repack Notes when due or to bring suit to enforce such payment, or permitting Majority Holders to waive Defaults or Events of Default (except an Event of Default with respect to payments on the Repack Notes),

provided that (i) it will not be necessary for the consent of the Holders to approve the particular form of any proposed amendment, but it will be sufficient if such consent approves the substance thereof; and (ii) after an amendment becomes effective, the Issuer will give to all Holders a notice briefly describing such amendment. The failure to give such notice to all Holders, or any defect therein, will not impair or affect the validity of such amendment.

Where any amendment or modification of any Finance Document relates to the IDB Guarantee, all references to the Majority Holder in the foregoing section (*Description of the Notes – Amendments with the Consent of Majority Holders*) will be to Majority Class A Noteholders.

Listing

Application has been made to list the Repack Notes on the Official List of the Luxembourg Stock Exchange and for admission to trading on the Euro MTF market. In making an investment decision, you must rely on your own examination of the Issuer, its business, the terms of the Repack Notes and the terms of the offering, including the merits and risks involved. In the event that any Repack Note issued in the form of a registered note in global form is exchanged for a note in physical, certificated form, an announcement of the exchange will be made by or on behalf of the Issuer through the Luxembourg Stock Exchange and such announcement will include all material information with respect to the delivery of the certificated Repack Notes, including details of the paying agent in Luxembourg.

Governing Law and Jurisdiction

The Repack Trust Indenture and the Repack Notes will be governed by, and construed in accordance with, the law of the state of New York. Articles 470-3 to 470-19 of the Companies Law do not apply to the Notes or to the representation of the Holders.

The Accounts and all agreements governing the Accounts will be governed by, and construed in accordance with (i) the laws of the state of New York, (ii) the state of New York is the securities intermediary's jurisdiction for purposes of the New York UCC and (iii) the law of the state of New York is applicable to all issues specified in article 2(1) of the Hague Securities Convention.

The parties to the Repack Trust Indenture will waive (and each Holder, by its acceptance of a Repack Note and each owner of a beneficial interest in a Global Note, by its acceptance of such beneficial interest will be deemed to have waived) any right to trial by jury in any action, proceeding or counterclaim arising out of or relating to the Repack Trust Indenture or the Repack Notes or any transaction related to the Repack Trust Indenture or the Repack Notes.

Any dispute, controversy or claim of any nature arising out of, relating to or having any connection with the Repack Trust Indenture, including any dispute as to the existence, validity, interpretation, performance, breach, termination or consequences of the nullity of the Repack Trust Indenture (a "**Dispute**"), where the Issuer is either a party, claimant, respondent or otherwise is necessary thereto, shall not be referred to a court of any jurisdiction and shall instead be referred to and finally resolved by arbitration under the Rules of the LCIA ("**LCIA Rules**") as further described in the Repack Trust Indenture.

The Issuer irrevocably appoints TMF Global Services (UK) Limited with offices as of the Note Closing Date at 8th Floor, 20 Farringdon Street, London, EC4A 4AB, United Kingdom as its authorized agent in the Borough of Manhattan in the City of New York upon which process may be served in any such action, suit or proceeding and agrees that service of process upon such agent by the person serving the same to the above address shall be deemed in every respect effective service of process upon the Issuer in any such suit or proceeding. It further agrees to take any and all action as may be necessary to maintain such designation and appointment of such agent (or appoint a successor thereto) in full force and effect for the duration of the Repack Trust Indenture.

Form and Dating

The Issuer will, on the Note Closing Date, issue the Repack Notes in accordance with the terms of the Repack Trust Indenture. The Repack Notes are being originally offered and sold by the Issuer pursuant to the Note Purchase Agreement and will be issued in definitive form as Global Notes without interest coupons. The Repack Notes will be only in denominations of U.S.$200,000 and in integral multiples of U.S.$1,000 in excess thereof.

The terms and provisions of the Repack Notes and, if applicable, any related Repack Indenture Supplements will constitute, and are expressly made, a part of the Repack Trust Indenture, and, to the extent applicable, the parties to the Repack Trust Indenture, by their execution and delivery of the Repack Trust Indenture and, if applicable, any related Repack Indenture Supplements expressly agree to such terms and provisions and to be bound thereby.

The Repack Notes may have notations, legends or endorsements as specified in the Repack Trust Indenture or as otherwise required by Law, stock exchange rules, agreements to which the Issuer is subject, if any, or usage. The Issuer will approve the form of the Repack Notes and any notation, legend or endorsement on them. Each Repack Note will be dated the date of its authentication.

Repack Notes to be held by Non-U.S. Persons outside the United States in reliance on Regulation S will be issued in the form of one or more permanent Global Notes (each a "**Regulation S Global Note**") and Repack Notes to be held in the United States or by U.S. Persons, in each case, by QIBs in reliance on Rule 144A, will be held in the form of one or more permanent Global Notes (each, a "**Rule 144A Global Note**").

Global Notes

Each Global Note will initially with respect to any Global Note clearing directly through Euroclear or Clearstream, be registered in the name of Euroclear or Clearstream (or its nominee), be delivered to the Note Custodian, and bear the appropriate legend(s). Any Global Note may be represented by more than one certificate. The principal amount of each Global Note may from time to time be increased or decreased by adjustments made on the Note Register.

Ownership of beneficial interests in a Global Note will be limited to Participants in Euroclear or Clearstream or Persons who hold interests through Participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by Euroclear or Clearstream or its nominee (with respect to interests of Participants) and the records of Participants (with respect to interests of Persons other than Participants). Beneficial owners of interests in the Repack Notes may hold their interests in the Rule 144A Global Note or the Regulation S Global Note, directly through Euroclear or Clearstream, if they are Participants in such system, or indirectly through organizations that are Participants in such system.

So long as Euroclear or Clearstream or its nominee is the registered owner or Holder of a Global Note, Euroclear or Clearstream or such nominee, as the case may be, will be considered the sole owner or Holder of the Repack Notes represented by such Global Note for all purposes under the Repack Trust Indenture and the Notes. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with the Applicable Procedures, in addition to those provided for under the Repack Trust Indenture. All payments on a Global Note will be made to Euroclear or Clearstream or its nominee, as the registered owner thereof. None of the Issuer, the Repack Indenture Trustee, any Repack Paying Agent, any Transfer Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising, or reviewing any records relating to such beneficial ownership interests.

Participants will have no rights under the Repack Trust Indenture with respect to any Global Note held on their behalf by Euroclear or Clearstream (or its nominee) or by the Note Custodian under any Global Note may be treated by the Issuer, the Repack Indenture Trustee, each Agent and any of their respective agents as the absolute owner of such Global Note for all purposes whatsoever. See "*Clearing and Settlement— Euroclear or Clearstream*".

None of the Issuer, the Repack Indenture Trustee, or any Agent, will have any responsibility for the performance by Euroclear or Clearstream or their respective Participants or Indirect Participants of their respective obligations under the rules and procedures governing their operations. See "*Notice to Investors*".

Certificated Notes

Except as provided below, owners of beneficial interests in Global Notes will not be entitled to receive Certificated Notes. Certificated Notes will be issued to all owners of beneficial interests in a Global Note in exchange for such interests if: (i) Euroclear or Clearstream is at any time unwilling or unable to continue as a depositary for the Global Notes and a successor depositary is not appointed by the Issuer within 90 days; or (ii) an Event of Default has occurred and is continuing and the Registrar has received a request from the applicable depositary (or the Euroclear or Clearstream Depositary or any successor thereto) to exchange the Global Note for Certificated Notes.

In connection with the exchange of an entire Global Note for Certificated Notes, such Global Note will be deemed to be surrendered to the Registrar for cancellation, and the Issuer will execute, and upon Issuer Order, the Repack Indenture Trustee will authenticate and deliver, to each beneficial owner identified by Euroclear or Clearstream in exchange for its beneficial interest in such Global Note, one or more Certificated Notes of authorized denominations in an aggregate principal amount equal to the beneficial interests being exchanged and follow such other procedures as required.

None of the Issuer, the Repack Indenture Trustee, any Repack Paying Agent, any Transfer Agent or the Registrar will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Transfer and Exchange

Transfers to QIBs

If (a) the owner of a beneficial interest in a Regulation S Global Note wishes to transfer such interest (or portion thereof) to a QIB pursuant to Rule 144A and (b) such Person wishes to hold its interest in the Repack Notes through a beneficial interest in a Rule 144A Global Note, (i) upon receipt by the Note Custodian and Registrar of (A) instructions from the Holder of the Regulation S Global Note directing the Note Custodian and Registrar to credit or cause to be credited a beneficial interest in a Rule 144A Global Note equal to the principal amount of the beneficial interest in the Regulation S Global Note to be transferred, and (B) a certificate from the transferor in the form provided in the Repack Trust Indenture; and (ii) subject to the rules and procedures of Euroclear or Clearstream (the "**Applicable Procedures**"), each of the Note Custodian and the Registrar will register the transfer and reflect on its books and records the date of such transfer and will increase the Rule 144A Global Note and decrease the Regulation S Global Note by the principal amount transferred in accordance with the foregoing.

Transfers to Non-U.S. Persons

If (a) the owner of a beneficial interest in a Rule 144A Global Note wishes to transfer such interest (or portion thereof) to a Non-U.S. Person or to a Person who is outside the United States pursuant to Regulation S and (b) such Person wishes to hold its interest in the Notes through a beneficial interest in a Regulation S Global Note, (i) upon receipt by the Note Custodian and Registrar of: (A) instructions from the Holder of the Rule 144A Global Note directing the Note Custodian and Registrar to credit or cause to be credited a beneficial interest in the Regulation S Global Note equal to the principal amount of the beneficial interest in the Rule 144A Global Note to be transferred, and (B) a certificate from the transferor in the form provided in the Repack Trust Indenture, and (ii) subject to the Applicable Procedures, each of the Note Custodian and the Registrar will register the transfer and reflect on its books and records the date of such transfer and will increase the Regulation S Global Note and decrease the Rule 144A Global Note by the principal amount transferred in accordance with the foregoing.

Certificated Notes Transfers and Exchanges

Certificated Notes may be exchanged or transferred in whole or in part in the principal amount of authorized denominations by surrendering such Certificated Notes at the Corporate Trust Office with a written instrument of transfer as provided in an assignment form duly executed by the Holder thereof or his attorney-in-fact duly authorized in writing.

General

By its acceptance of any Repack Note (or any beneficial interest in any Global Note) bearing a specific legend, each Holder of such Repack Note or holder of such beneficial interest acknowledges the restrictions on transfer of such Repack Note set forth in the Repack Trust Indenture and in the applicable legend and agrees that it will transfer such Repack Note only as provided in such legend and the Repack Trust Indenture. The Registrar will not register a transfer of any Repack Note unless such transfer complies with the restrictions on transfer of such Repack Note set forth in the Repack Trust Indenture.

Transfer Procedures

Transfers between Participants in Euroclear or Clearstream will be effected in accordance with Euroclear or Clearstream's Applicable Procedures, and will be settled in same-day funds. Transfers between Participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures. Euroclear or Clearstream has advised the Issuer that it will take any action permitted to be taken by a Holder (including the presentation of Repack Notes for exchange) only at the direction of one or more Participants to whose account the interest in a Global Note is credited and only in respect of such portion of the Repack Notes as to which such Participant or Participants has or have given such direction. However, if there is an Event of Default under the Repack Notes, Euroclear or Clearstream may exchange the applicable Global Notes for Certificated Notes which it will distribute to its Participants and which may bear the applicable legend.

Retention of Documents

The Registrar will retain copies of all letters, notices and other written communications received by it in accordance with its customary document retention policies. The Issuer will have the right to inspect and make copies of all such letters, notices or other written communications at any reasonable time during normal business hours of the Registrar, upon the giving of reasonable written notice to the Registrar; *provided* that no such inspection will interfere with the performance of the duties of the Registrar.

Execution, Authentication of Repack Notes, etc.

When Repack Notes are presented to the Registrar or a co-Registrar with a request to register the transfer of such Repack Notes or to exchange such Repack Notes for an equal principal amount of Repack Notes of other authorized denominations, the Registrar or a co-Registrar will register the transfer or make the exchange as requested if the requirements for such transaction are met; *provided* that any Repack Notes presented or surrendered for registration of transfer or exchange will be duly endorsed or accompanied by a written instrument of transfer, in form satisfactory to the Registrar or a co-Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge will be made to a Holder for any registration of transfer or exchange, but the Issuer or the Repack Indenture Trustee, the Registrar or the Transfer Agent may require payment of a sum sufficient to cover any transfer tax, assessments or similar governmental charge payable in connection therewith (other than any such transfer taxes, assessments or similar governmental charges payable upon exchange or transfer in accordance with its customary documents retention policies).

The Registrar or co-Registrar will not be required to register the transfer of or exchange of any Repack Note for a period beginning on any Record Date and ending on the Note Payment Date associated with such Record Date.

Prior to the due presentation for registration of transfer or exchange of any Repack Note, the Issuer, the Repack Indenture Trustee, the Repack Paying Agent, the Transfer Agent, the Registrar or a co-Registrar may deem and treat the Person in whose name a Repack Note is registered as the absolute owner of such Repack Note for the purpose of receiving payment on such Repack Note and for all other purposes whatsoever, whether or not such Repack Note is overdue, and none of the Issuer, the Repack Indenture Trustee, the Repack Paying Agent, the Transfer Agent, the Registrar or a co-Registrar will be affected by notice to the contrary. Notwithstanding anything to the contrary, the Registrar or any co-Registrar will not deem or treat the Person in whose name a Repack Note is registered as the absolute owner of any Repack Note presented for registration of transfer or exchange if such Repack Note was previously presented for registration of transfer or exchange and the Registrar or such co Registrar failed to properly register such transfer or exchange in accordance with the terms of the Repack Trust Indenture.

All Repack Notes issued upon any registration of transfer or exchange pursuant to the terms of the Repack Trust Indenture will evidence the same debt and will be entitled to the same benefits under the Repack Trust Indenture as the Repack Notes surrendered upon such registration of transfer or exchange.

No Obligation of the Repack Indenture Trustee, Repack Paying Agent, Transfer Agent or Registrar

None of the Repack Indenture Trustee, the Repack Paying Agent, the Transfer Agent or the Registrar will have any responsibility, liability or obligation to any beneficial owner of an interest in a Global Note, any Participant, any Indirect Participant in Euroclear or Clearstream (or its nominee) or any other Person with respect to the accuracy of the records of Euroclear or Clearstream or its nominee or any Participant or Indirect Participant thereof with respect to any ownership interest in the Global Notes or with respect to the delivery to any Participant, Indirect Participant, beneficial owner or any other Person (other than Euroclear or Clearstream) of any notice (including any notice of redemption) or the payment of any amount or delivery of any Repack Notes (or other security or property) under or with respect to such Repack Notes. All notices, documents and communications to be given to the Holders and all payments to be made to Holders in respect of the Repack Notes will be given or made only to or upon the order of the registered Holders (which will be Euroclear or Clearstream or its nominee in the case of a Global Note). The rights of beneficial owners in any Global Note will be exercised only through Euroclear or Clearstream subject to its Applicable Procedures. The Repack Indenture Trustee and each Agent may conclusively rely and will be fully protected in relying upon information furnished by Euroclear or Clearstream with respect to its Participants, Indirect Participants and any beneficial owners.

None of the Repack Indenture Trustee, the Repack Paying Agent, the Transfer Agent or the Registrar will have any obligation or duty to monitor, determine or inquire as to compliance with any tax or securities laws with respect to any restrictions on transfer imposed under the Repack Trust Indenture or under applicable Law with respect to any transfer or exchange of any interest in any Repack Note (including any transfers between or among Participants in any depositary or beneficial owners in any Global Note) other than to require delivery of such certificates, Opinions of Counsel and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of the Repack Trust Indenture, and to examine the same to determine reasonable compliance, as to form, with the express requirements thereof.

Mutilated, Destroyed, Lost or Stolen Repack Notes

If a mutilated Repack Note is surrendered to the Registrar or any Transfer Agent or if the Holder claims that a Repack Note has been lost, destroyed or wrongfully taken, the Issuer will execute, and upon Issuer Order the Repack Indenture Trustee will authenticate, a replacement Repack Note. If required by the Repack Indenture Trustee, the Registrar, the Transfer Agent or the Issuer, such Holder will furnish such security or indemnity as may be required by any of them to protect the Issuer, the Repack Indenture Trustee, the Repack Paying Agent, the Transfer Agent, the Registrar and any co-Registrar from any loss that any of them may suffer if a Repack Note is wrongfully replaced. In the absence of notice to the Issuer or the Repack Indenture Trustee that such Repack Note has been acquired by a protected purchaser, the Issuer will execute, and upon Issuer Order, the Repack Indenture Trustee will authenticate and make available for delivery, in exchange for any such mutilated Repack Note or in lieu of any destroyed, lost or stolen Repack Note, a new Repack Note of like tenor and principal amount, bearing a number not contemporaneously Outstanding.

Upon the issuance of any new Repack Note, the Issuer may require the payment of a sum by the Holder 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 Repack Indenture Trustee and the Agents) in connection therewith.

Every new Repack Note issued in exchange for any mutilated Repack Note, or in lieu of any destroyed, lost or stolen Repack Note, will constitute an original additional contractual obligation of the Issuer and any other obligor upon the Repack Notes, whether or not the mutilated, destroyed, lost or stolen Repack Note will be at any time enforceable by anyone, and will be entitled to all benefits of the Repack Trust Indenture equally and proportionately with any and all other Repack Notes duly issued.

Cancellation

The Issuer at any time may deliver Repack Notes to the Repack Indenture Trustee for cancellation. The Repack Indenture Trustee will cancel any Repack Note surrendered for registration of transfer, exchange, payment, redemption or cancellation in accordance with its customary procedures in effect from time to time, and all cancelled Repack Notes may be held or disposed of by the Repack Indenture Trustee in accordance with its standard retention or disposal policy as in effect at the time unless the Issuer will direct by an Issuer Order that they be destroyed or returned to it; *provided* that such Issuer Order is timely and such Repack Notes have not been previously disposed of by the Repack Indenture Trustee.

Indenture Trustee and other Agents

Neither of the Repack Indenture Trustee or the Collateral Agent shall have any obligation (i) to expend or risk its own funds or otherwise incur financial liability if there are reasonable grounds for believing that the repayment of those funds or indemnity satisfactory to it against that risk or liability is not assured to it under the Repack Trust Indenture; or (ii) to perfect, monitor, continue or maintain any security interest granted in the Collateral under the Repack Trust Indenture or other Financing Documents and shall have no duty to file any document in a public office or otherwise in relation thereto. The permissive rights, benefits and powers granted to the Repack Indenture Trustee and the Collateral Agent under the Repack Indenture or other Financing Documents shall not be construed as duties. Each of the Repack Indenture Trustee and Collateral Agent (i) shall not be liable for any act, or failure to act in the absence of its own gross negligence, wilful misconduct or bad faith; (ii) shall not be deemed to have knowledge of an Event of Default unless a Responsible Officer receives written notice thereof (meeting the requirements of the Repack Trust Indenture); and (iii) may perform its duties through agents and shall not be responsible for the negligence or misconduct of any such agent appointed with due care.

The above description is an incomplete summary of the rights, protections and immunities of the Repack Indenture Trustee and Collateral Agent. For a full description of the duties and the immunities and rights of the Repack Indenture Trustee, the Collateral Agent and the other Agents under the Repack Trust Indenture, reference is made to the Repack Trust Indenture, and the obligations of the Repack Indenture Trustee, the Collateral Agent and the other Agents to the Holders are subject to such immunities and rights as set forth therein. Pursuant to the Repack Trust Indenture, neither the Repack Indenture Trustee, the Collateral Agent nor the other Agents will have any obligation to make any determination with respect to any financial matter (including, without limitation, the determination of any financial ratio or any amount due in respect of payments of the Repack Notes), except as expressly set forth in the Repack Trust Indenture.

CLEARING AND SETTLEMENT

Arrangements have been made with Euroclear and Clearstream to facilitate initial issuance of the Global Notes. Transfers within Euroclear and Clearstream will be made in accordance with the general rules and operating procedures of the relevant clearing system. Cross-market transfers between investors who hold or who will hold Global Notes through Euroclear and/or Clearstream will be effected through Euroclear and Clearstream.

Euroclear and Clearstream

Euroclear

Euroclear was created as a cooperative in 1968 to hold securities for Euroclear Participants and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of securities and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. All operations are conducted by the Euroclear Bank, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Bank, not the cooperative. The cooperative establishes policy for Euroclear on behalf of Euroclear Participants. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries ("**Euroclear Participants**"). Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with Euroclear Participants, either directly or indirectly.

Securities clearance accounts and cash accounts with Euroclear Bank are governed by the Terms and Conditions Governing Use of Euroclear, the related operating procedures of the Euroclear system and applicable Belgian law (collectively, the "**Euroclear Terms and Conditions**"). The Euroclear Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear and receipts of payment with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. Euroclear Bank acts under the Euroclear Terms and Conditions only on behalf of Euroclear Participants and has no record of or relationship with persons holding through Euroclear Participants.

The ability of an owner of a beneficial interest in a Global Note to pledge such interest to persons or entities that do not participate in the Euroclear system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive note for that interest because Euroclear can act only on behalf of Euroclear Participants, who in turn act on behalf of indirect Euroclear Participants and certain banks.

Distributions with respect to the Global Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Euroclear Terms and Conditions, to the extent received by the Euroclear Bank and by Euroclear.

Clearstream

Clearstream is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for Clearstream Participants and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of securities. Clearstream provides to Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream Participants are recognized financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("**Clearstream Participants**"). Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Participant either directly or indirectly.

The ability of an owner of a beneficial interest in a Global Note to pledge such interest to persons or entities that do not participate in the Clearstream system, or otherwise take actions in respect of such interest, may be limited

by the lack of a definitive note for that interest because Clearstream can act only on behalf of Clearstream Participants, who in turn act on behalf of indirect Clearstream Participants and certain banks.

Distributions with respect to the Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures, to the extent received by Clearstream.

Euroclear and Clearstream Arrangements

So long as Euroclear or Clearstream or their nominee or their common depository is the registered Holder of the Global Notes, Euroclear, Clearstream or its respective nominee, as the case may be, will be considered the sole owner or Holder of the Notes represented by the Global Notes for all purposes under the Indenture and the Global Notes. Payments of in respect of the Global Notes will be made to Euroclear, Clearstream or its respective nominee, as the case may be, as registered Holder thereof. None of the Issuer, the Repack Indenture Trustee, any other Agents, the Placement Agent and any affiliate of any of the above or any person by whom any of the above is controlled (as such term is defined in the Securities Act) will have any responsibility or liability for any records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to the beneficial ownership interests.

Distributions with respect to the Regulation S Global Notes will be credited in U.S. Dollars, to the extent received by Euroclear or Clearstream from the Repack Indenture Trustee or other Repack Paying Agent, to the cash accounts of Euroclear or Clearstream customers in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Global Notes will receive, to the extent received by the applicable clearing system from the Repack Indenture Trustee or other Repack Paying Agent, all distributions with respect to the Global Notes in the applicable currency. Distributions with respect to the Global Note will be credited in the applicable currency to the cash accounts of Euroclear or Clearstream customers in accordance with the relevant system's rules and procedures.

The holdings of book-entry interests in the Global Notes through Euroclear and Clearstream will be reflected in the book-entry accounts of each such institution. As necessary, the Repack Indenture Trustee or other Registrar will adjust the amounts of the Global Notes on the Register for the accounts of (a) Citivic Nominees Limited and (b) Cede & Co. to reflect the amounts of the Notes held through Euroclear and Clearstream, respectively.

Initial Settlement

Investors holding beneficial interests in the Notes through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Beneficial interests in the Notes will be credited to the securities custody accounts of Euroclear and Clearstream Holders on the Note Closing Date against payment for value on the Note Closing Date.

Secondary Market Trading

It is important to establish at the time of trading of any of the Notes (or beneficial interests therein) where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date because the purchaser's location determines the place of delivery.

Trading Between Euroclear and/or Clearstream Participants

Secondary market sales of book-entry interests in the Regulation S Global Note held through Euroclear and Clearstream to purchasers of book-entry interests in the Regulation S Global Note through Euroclear or Clearstream will be conducted in accordance with the general rules and operating procedures of Euroclear and Clearstream and will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

TAXATION

Prospective Holders should consult their professional advisors on the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

Certain Luxembourg Tax Considerations

The following is a general description of certain Luxembourg tax considerations relating to the Notes. It specifically contains information on taxes on the income from the Notes withheld at source and provides an indication as to whether the Issuer assumes responsibility for the withholding of taxes at source. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Luxembourg or elsewhere.

This summary is based upon the law as in effect on the date of this Prospectus. The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

Prospective holders of Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the Notes on the basis of this Prospectus, including the effect of any state or local taxes, under the tax laws of Luxembourg and each country of which they are residents.

Income Taxation

The Issuer is a fully taxable company and any profit realised by the Issuer is subject to corporate income tax and municipal business tax in Luxembourg. Under Securitisation Act, all payments made by the Issuer to investors, or commitment to make such payments, should be fully tax deductible to the extent that (i) these payments are formally approved and properly documented and (ii) the conditions to benefit from the securitisation regime are met.

However, according to the ATAD I Law, the tax deduction of interest payments made by the Issuer may be denied as from fiscal year 2019 if (i) the Issuer has exceeding borrowings costs (i.e. tax-deductible borrowing costs that are in excess of the taxable interest income and other economically equivalent taxable income of the Issuer) and (ii) such exceeding borrowing costs are higher than (a) 30 % of the Issuer's EBITDA and (b) EUR 3 million. This rule would however not apply to, notably, a securitisation entity within the meaning of article 2 (2) of Regulation (EU) No 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012.

On the assumption that the Issuer only recognises interest income in its tax P&L, this rule should however likely not adversely impact its taxable base.

Furthermore, according to the ATAD I Law, the tax deductions of payments made by the Issuer may also be denied as from fiscal year 2019 if (i) such payments are not included in the taxable base of the ultimate recipient/beneficiary as a result of a hybrid mismatch and (ii) (a) the ultimate recipient/beneficiary of the payment and the Issuer are associated enterprises or (b) the ultimate recipient/beneficiary and the Issuer have concluded a structured arrangement which entails this hybrid mismatch. While this rule only targeted hybrid mismatches within the EU until 2019, the anti-hybrid rules have been expanded to (a) non-EU hybrid mismatches and (b) more sophisticated hybrid mismatches as from fiscal year 2020, as a result of the adoption of the ATAD II Law.

In the event that the Issuer incurs a liability for any tax, whether directly or indirectly, as a result of the investment made by a Noteholder in the Notes, the Issuer may, in its absolute discretion, determine that an amount equal to such tax liability shall be treated as an amount that has been allocated and distributed to such Noteholder.

Withholding Tax

All payments of interest and principal by the Issuer under the Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject, however, to the application as regards Luxembourg resident individuals of the amended Luxembourg law of 23 December 2005 (the "**Law**") which provides for a 20 per cent. withholding tax on savings income. Such

withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth.

Responsibility for the withholding of tax in application of the abovementioned Law is assumed by the Luxembourg Repack Paying Agent within the meaning of this Law and not by the Issuer.

In addition, pursuant to the Law as amended, Luxembourg resident individuals can opt to self-declare and pay a 20 per cent. tax on interest payments made by paying agents located in a Member State of the European Union other than Luxembourg or a Member State of the European Economic Area.

The 20 per cent. tax as described above is final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Taxes on Income and Capital Gains

Noteholders who derive income from such Notes or who realise a gain on the disposal or redemption thereof will not be subject to Luxembourg taxation on such income or capital gains, subject to the application of the Law referred to above, and unless:

(a) such Noteholders are, or are deemed to be, resident in Luxembourg for Luxembourg tax purposes (or for the purposes of the relevant provisions); or

(b) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment, a permanent representative or a fixed base of business in Luxembourg.

Net Wealth Tax

A corporate Noteholder, whether it is a resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to whom such Notes are attributable, is subject to Luxembourg wealth tax on these Notes, except if the Noteholder is governed by (i) the law of 11 May 2007 on family estate management companies, as amended, or (ii) by the law of 17 December 2010 on undertakings for collective investment, as amended, or (iii) by the law of 13 February 2007 on specialised investment funds, as amended, or is (iv) a securitisation company governed by the law of 22 March 2004 on securitisation, as amended, or is (v) a capital company governed by the law of 15 June 2004 on venture capital vehicles, as amended, or is (vi) a reserved alternative investment funds, within the meaning of the law of 23 July 2016.

However, please note that securitisation companies governed by the law of 22 March 2004 on securitisation, as amended, or capital companies governed by the law of 15 June 2004 on venture capital vehicles, as amended, or reserved alternative investment funds governed by the law of 23 July 2016 and which fall under the special tax regime set out under article 48 thereof, are subject to minimum net wealth tax.

An individual Noteholder, whether he/she is a resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

Inheritance and Gift Tax

Where the Notes are transferred for no consideration:

(a) no Luxembourg inheritance tax is levied on the transfer of the Notes upon the death of a Noteholder in cases where the deceased Noteholder was not a resident of Luxembourg for inheritance tax purposes; or

(b) Luxembourg gift tax will be levied in the event that the gift is made pursuant to a notarial deed signed before a Luxembourg notary or is registered in Luxembourg.

Value Added Tax

There is no Luxembourg value added tax payable in respect of payments in consideration for the issue of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of a Note. Luxembourg value added

tax may, however, be payable in respect of fees invoiced for services rendered to the Issuer, if, for Luxembourg value added tax purposes, such services are rendered, or are deemed to be rendered, in Luxembourg and an exemption from value added tax does not apply with respect to such services.

Other Taxes and Duties

It is not compulsory that the Notes be filed, recorded or enrolled with any court or other authority in Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty (other than court fees and contributions for the registration with the Chamber of Commerce) be paid in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Notes. In case of voluntary registration of the Notes, the statutory fixed registration duty will be levied (as at the date of this Base Prospectus equal to EUR 12 (in words: twelve Euro)).

Residence

A Noteholder will not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of such Note or the execution, performance, delivery and/or enforcement of that or any other Note.

Common Reporting Standard

The Organisation for Economic Co-operation and Development has developed a new global standard for the annual automatic exchange of financial information between tax authorities (the "**CRS**"). The CRS has been implemented into Luxembourg domestic law via the law dated 18 December 2015 concerning the automatic exchange of information on financial accounts and tax matters and implementing the EU Directive 2014/107/EU. The regulation may impose obligations on the Issuer and its Noteholders, if the Issuer is actually regarded as a reporting Financial Institution under the CRS, so that the latter could be required to conduct due diligence and obtain (among other things) confirmation of tax residency (through the issuance of self-certifications forms by the Noteholders), the tax identification number and CRS classification of the Noteholders in order to fulfil its own legal obligations.

Prospective investors should contact their own tax advisers regarding the application of CRS to their particular circumstances.

*The proposed financial transactions tax ("**FTT**")*

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, a "**participating Member State**"). However, Estonia has since stated that it will not participate and on 16 March 2016 it completed the formalities required to leave the enhanced co-operation on FTT.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Certain U.S. Federal Income Tax Consequences

THE FOLLOWING SUMMARY IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE. U.S. HOLDERS OF NOTES ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ISSUES DISCUSSED HEREIN, IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, AS WELL AS ANY CONSIDERATIONS ARISING UNDER THE LAWS OF ANY STATE, LOCAL, NON-U.S. OR OTHER TAXING JURISDICTION.

The following is a summary of certain U.S. federal income tax consequences for U.S. Holders relating to (i) the tax treatment of the Issuer and the Notes and (ii) the purchase, ownership and disposition of a Note. This discussion is based upon laws, regulations, rulings and decisions in effect as of the date hereof, all of which are subject to change or differing interpretations, possibly with retroactive effect. This summary deals only with persons who purchase Notes at initial issuance and beneficially own such Notes as a capital asset for U.S. federal income tax purposes. This summary does not discuss all of the tax consequences that may be relevant to particular investors or to investors subject to special treatment under the U.S. federal income tax laws (such as banks, thrifts, or other financial institutions; insurance companies; securities dealers or brokers, or traders in securities electing mark-to-market treatment; mutual funds or real estate investment trusts; small business investment companies; S corporations; investors that hold their Notes through a partnership or other entity treated as a partnership for U.S. federal income tax purposes; investors whose functional currency is not the U.S. Dollar; certain former citizens or residents of the United States; persons who hold, directly, indirectly or constructively (applying certain broad attribution rules), 10% or more of either Class of Notes; persons subject to the alternative minimum tax; retirement plans or other tax-exempt entities (except as specifically discussed herein), or persons holding the Notes in tax-deferred or tax-advantaged accounts; or "controlled foreign corporations" or "passive foreign investment companies" for U.S. federal income tax purposes). This summary also does not address the tax consequences to shareholders, or other equity holders in, or beneficiaries of, a Holder of Notes or any state, local or non-U.S. tax consequences of the purchase, ownership or disposition of the Notes or the potential application of the Medicare tax on net investment income.

The discussion of U.S. federal income tax matters contained herein is based on existing law as contained in the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), U.S. Treasury regulations, administrative rulings and court decisions as of the date of this Offering Memorandum. No assurance can be given that future legislation, administrative rulings or court decisions, which may apply retroactively, will not significantly modify the conclusions set forth in this summary. No ruling will be sought from the U.S. Internal Revenue Service (the "**IRS**") with respect to any statement or conclusion in this discussion, and there can be no assurance that the IRS will not challenge such statement or conclusion in the following discussion or, if challenged, a court will uphold such statement or conclusion.

As used herein, the term "**U.S. Holder**" means a beneficial owner of a Note that is for U.S. federal income tax purposes (i) an individual citizen or resident of the United States, (ii) a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined for U.S. tax purposes) have the authority to control all substantial decisions of the trust.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds a Note, the treatment of the partnership and its partners generally will depend on the activities of the partnership and on the status of the partner. An investor that is a partnership should consult its own tax advisor about the U.S. federal tax consequences of purchasing, owning and disposing of the Note.

Prospective investors should consult their own tax advisors as to the U.S. federal, state and local, Non-U.S. and other tax consequences of the purchase, ownership and disposition of the Notes.

U.S. Holders of Notes

Class A Notes

Status of the Class A Notes

The Class A Notes should be treated as debt of the Issuer for U.S. federal income tax purposes. Accordingly, the Issuer intends to treat the Class A Notes as debt for U.S. federal income tax purposes and any U.S. Holder that does not treat the Class A Notes in the same manner must disclose its contrary position to the IRS. However, treatment of the Class A Notes as debt will not be binding on the IRS and no assurance can be given that the IRS will respect that position. The U.S. federal income tax treatment of securities such as the Class A Notes is complex and there is no direct authority regarding the correct U.S. federal income tax treatment of the Class A Notes. If the IRS were to successfully assert an alternative treatment for the Class A Notes, it could result in less favorable treatment for a U.S. Holder. Prospective investors are urged to consult their own advisors regarding the proper treatment of an investment in the Class A Notes in light of their particular circumstances, and may refer to the general disclosure contained under the heading *"—Class B Notes*" for a high-level summary of some of the relevant considerations that could apply to their ownership of the Class A Notes if the Class A Notes were treated as equity for U.S. federal income tax purposes. The remainder of this summary assumes that the Class A Notes will be treated as debt of the Issuer for U.S. federal income tax purposes.

Payments of Stated Interest on the Class A Notes

It is anticipated, and this discussion assumes, that the Class A Notes will be issued with less than a *de minimis* amount of original issue discount for U.S. federal income tax purposes. In such case, stated interest on a Class A Note generally will be taxable to a U.S. Holder as foreign source ordinary income at the time that such interest is received or accrued, depending on the U.S. Holder's regular method of accounting for U.S. federal income tax purposes.

Sale, Exchange or Retirement of the Class A Notes

Upon the sale, exchange or retirement of a Class A Note, a U.S. Holder will recognise U.S. source capital gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the U.S. Holder's tax basis in the Class A Note. A U.S. Holder's tax basis in a Class A Note generally will equal the acquisition cost of the Class A Note. For these purposes, the amount realised does not include any amount attributable to accrued but unpaid qualified stated interest on the Class A Note. Amounts attributable to accrued but unpaid interest are treated as payments of interest, as discussed above. To the extent a U.S. Holder receives any payments that represent partial payments of principal (as determined for U.S. federal income tax purposes), such amounts will generally be treated as sales or exchanges of the portion of the note that is repaid, and would be subject to the rules described in this paragraph.

Gain or loss realised on the sale, exchange or retirement of a Class A Note will generally be long-term capital gain or loss if at the time of sale, exchange or retirement the U.S. Holder has held the Class A Note for more than one year. The deductibility of capital losses is subject to limitations.

Class B Notes

Status of the Class B Notes

Notwithstanding that the Class B Notes are in the form of indebtedness, the Class B Notes should be treated as equity of the Issuer for U.S. federal income tax purposes. Accordingly, the Issuer intends to treat the Class B Notes as equity for U.S. federal income tax purposes and any U.S. Holder that does not treat the Class B Notes in the same manner must disclose its contrary position to the IRS. However, treatment of the Class B Notes as equity will not be binding on the IRS and no assurance can be given that the IRS will respect that position. The U.S. federal income tax treatment of securities such as the Class B Notes is complex and there is no direct authority regarding the correct U.S. federal income tax treatment of the Class B Notes. If the IRS were to successfully assert an alternative treatment for the Class B Notes, it could result in less favorable treatment for a U.S. Holder. Prospective investors are urged to consult their own advisors regarding the proper treatment of an investment in the Class B Notes in light of their particular circumstances. The remainder of this summary assumes that the Class B Notes will be treated as equity of the Issuer for U.S. federal income tax purposes.

Investment in a Passive Foreign Investment Company

In general, a non-U.S. corporation will be considered a passive foreign investment company for U.S. federal income tax purposes (a "**PFIC**") for any taxable year in which either (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are

held for the production of, passive income. For this purpose, passive income generally includes, among other items, dividends, interest, gains from certain commodities transactions, certain rents and royalties and gains from the disposition of passive assets.

If a U.S. Holder holds an equity interest in a PFIC, such U.S. Holder will be subject to special tax rules with respect to any "excess distribution" received and any gain realized from a sale, retirement or other disposition, including a pledge, of such equity interest. Based on the expected assets and income of the Issuer, the Issuer will be treated as a PFIC, and based on the treatment of the Class B Notes as equity of the Issuer, payments received on the disposition or retirement of the Class B Notes will be treated as excess distributions. Subject to the special tax rules applicable if a U.S. Holder makes the election discussed below: (i) any gain realized on a disposition or the retirement of the Class B Notes will be allocated ratably over a U.S. Holder's holding period for the Class B Notes; (ii) the amount allocated to each taxable year will be treated as ordinary income, and will be subject to tax at the highest tax rate applicable to individuals or corporations, as appropriate, in effect for that year; and (iii) the interest charge applicable to underpayments of tax will be imposed on the resulting tax attributable to each prior taxable year. The tax liability for amounts allocated to taxable years prior to the year of disposition or retirement cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale or other disposition of the Class B Notes cannot be treated as capital, even if a U.S. Holder holds the Class B Notes as capital assets.

A U.S. Holder of the Class B Notes will be subject to different rules than those described above if the U.S. Holder makes an election to treat the Issuer as a "qualified electing fund" ("**QEF**") with respect to such Holder. Generally, a QEF election should be made on or before the due date for filing a U.S. Holder's federal income tax return for the first taxable year in which it held Class B Notes. If a timely QEF election is made, an electing U.S. Holder of Class B Notes will be required to include in its ordinary income such Holder's pro rata share of the Issuer's ordinary earnings and to include in its long-term capital gain income such Holder's pro rata share of the Issuer's net capital gain, whether or not distributed, assuming that the Issuer is not a "controlled foreign corporation" and the U.S. Holder is not a U.S. Shareholder of the Issuer, both as discussed below. Under these rules, a U.S. Holder's pro rata share of the Issuer's ordinary income and net capital gain is the amount which would have been distributed with respect to such Holder's Class B Notes if, on each day during the taxable year of the Issuer, the Issuer had distributed to each Holder of Class B Notes a pro rata share of that day's ratable share of the Issuer's ordinary earnings and net capital gain for such year. In certain cases, in which a QEF does not distribute all of its earnings in a taxable year, its U.S. Holders may also be permitted to elect to defer payment of some or all of the taxes on the QEF's undistributed income but will then be subject to an interest charge on the deferred amount.

A U.S. Holder that makes a timely QEF election will increase its tax basis in a Note by an amount equal to any income included under the QEF election. In addition, a U.S. Holder that makes a QEF election will recognize capital gain or loss on the disposition of a Note in an amount equal to the difference between the amount realized and the U.S. Holder's adjusted tax basis in the Note. That gain or loss generally will be long-term capital gain or loss if the Note was held for more than one year at the time of disposition. The deductibility of net capital losses is subject to limitations. U.S. Holders of the Class B Notes should consult their own tax advisors about the possibility that as a result of these rules they may have ordinary income while they own the Class B Notes, increasing their tax basis in the Class B Notes above the amount received at the time of the sale, retirement or disposition of the Class B Notes, resulting in capital losses that may not be deductible. Any gain or loss realized by a U.S. Holder on the sale, exchange or other disposition of a Note generally will be U.S. source gain or loss.

It will (a) comply with all reporting requirements necessary for a Class B Noteholder to make a qualified electing fund ("**QEF**") election under Section 1295 of the Code with respect to it, and (b) promptly following the end of each taxable year, provide to a Class B Noteholder upon written request (and at the expense of such requesting Class B Noteholder) information necessary for that Class B Noteholder to make a QEF Election, and the Issuer will take any other steps it reasonably can to facilitate such election by, and any reporting requirements of, the owner of a beneficial interest in Class B Notes.

If a U.S. Holder makes a QEF election for a taxable year after the taxable year in which it acquired the Class B Notes, it may be subject to the general PFIC regime (and the attendant punitive consequences) with respect to all taxable years preceding the taxable year with respect to which it makes the QEF election. U.S. Holders should consult their own tax advisors regarding the consequences of not timely making a QEF election.

Ordinary income and net capital gain that a U.S. Holder includes in income pursuant to a QEF election with respect to the Issuer, generally should constitute foreign source income for purposes of calculating applicable foreign tax credits. The application of the foreign tax credit provisions of the Code is complex and a U.S. Holder should consult his own tax advisor as to his proper treatment for purposes of the foreign tax credit calculation.

A QEF election is made on an investor-by-investor basis and, once made, can be revoked only with the consent of the IRS. Retroactive QEF elections generally may be made only by filing a protective statement with such return and if certain other conditions are met or with the consent of the IRS. Even if a U.S. Holder does not make a QEF election, such U.S. generally would be required to file a report with the IRS on IRS Form 8621. U.S. Holders should consult their own tax advisors regarding the PFIC reporting requirements

U.S. HOLDERS OF CLASS B NOTES SHOULD CONSIDER CAREFULLY WHETHER TO MAKE A QEF ELECTION WITH RESPECT TO THE CLASS B NOTES AND THE CONSEQUENCES OF NOT MAKING SUCH AN ELECTION.

Backup Withholding and Information Reporting

Information reporting to the IRS may be required with respect to payments of proceeds on the disposition or retirement of the Notes to Holders other than corporations and other exempt recipients that establish their status as such. A "backup" withholding tax may apply to those payments that are subject to information reporting if the Holder fails to provide certain required documentation to the payor. Persons who are not U.S. Holders may be required to comply with certification procedures to establish that they are not U.S. Holders in order to avoid information reporting and backup withholding. Holders should consult their tax advisors about the procedures for obtaining an exemption from backup withholding. Backup withholding is not an additional tax and amounts withheld under the backup withholding rules will be refunded or allowed as a credit against a Holder's U.S. federal income tax liabilities if the required information is timely furnished to the IRS.

Holders should also consult their own tax advisors about any information reporting or other reporting requirements that may apply to them in connection with the purchase, ownership and disposition of the Notes. Failure to comply with applicable information reporting or other reporting requirements could result in materially adverse consequences and/or the imposition of substantial penalties.

THE FOREGOING DISCUSSION IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING BY EACH PROSPECTIVE INVESTOR. ACCORDINGLY, PROSPECTIVE INVESTORS IN NOTES ARE STRONGLY URGED TO CONSULT THEIR TAX ADVISORS WITH SPECIFIC REFERENCE TO THEIR OWN SITUATIONS REGARDING THE POSSIBLE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES.

ERISA AND BENEFIT PLAN CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes requirements on employee benefit plans that are subject to Title I of ERISA ("**ERISA Plans**") as well as persons who are fiduciaries of ERISA Plans. ERISA also imposes limits on transactions between ERISA Plans and service providers and other parties in interest to such ERISA Plans.

Each ERISA Plan fiduciary should consider ERISA and the regulations and guidance thereunder when considering an acquisition of the Notes. Fiduciaries of ERISA Plans, as well as other plans and arrangements within the meaning of and subject to Section 4975 of the Code (collectively with ERISA Plans, "**Plans**"), should consider, among other items, the issues described below when deciding whether to acquire the Notes. (An individual retirement account is an example of a Plan that is not an ERISA Plan but to which Section 4975 of the Code applies.) There may be other provisions of federal, state, local, non-U.S. or other laws or regulations that are similar to Title I of ERISA and Section 4975 of the Code that also apply to an acquisition of the Notes.

This Offering Memorandum is not written for any particular prospective purchaser, and it does not address the needs of any particular prospective purchaser. None of the Issuer, the Registrar, the Administrators, the Repack Indenture Trustee, the Placement Agent or any of their respective affiliates has undertaken to provide impartial investment advice, or to give advice in a fiduciary capacity, and none of these parties has or shall provide any advice or recommendation with respect to the management of any interest in the Notes or the advisability of acquiring, holding, disposing or exchanging of any such interest. The following discussion is general in nature, is not intended to be all inclusive and should not be construed as legal advice. Each fiduciary of a Benefit Plan Investor (as defined below) should talk to its legal adviser about the considerations discussed in this section before acquiring the Notes. Similar Laws (as defined below) governing the investment and management of the assets of governmental, certain church or non-U.S. plans may also contain fiduciary and prohibited transaction requirements. Accordingly, fiduciaries of such governmental, certain church or non-U.S. plans, in consultation with their advisers, should consider the impact of such Similar Laws on an acquisition of the Notes.

Fiduciary Duty of Investing ERISA Plans

Under ERISA, any person who exercises discretionary authority or control respecting the management or disposition of the assets of an ERISA Plan is generally considered to be a fiduciary of such ERISA Plan. Investments by ERISA Plan fiduciaries are subject to ERISA's general fiduciary requirements, including the prudence and diversification requirements and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. An ERISA Plan fiduciary considering an investment in the Notes should consider, among other things, whether (i) the ERISA Plan's purchase and holding of Notes would meet ERISA's fiduciary standards of investment prudence and diversification, (ii) the investment is appropriate for the ERISA Plan, taking into account the overall investment policy of the ERISA Plan and the composition of the ERISA Plan's investment portfolio, and consistent with the documents governing the ERISA Plan and (iii) an acquisition of the Notes presents risks and lack of liquidity.

When evaluating the prudence of an acquisition of the Notes, the ERISA Plan fiduciary should consider the U.S. Department of Labor (the "**DOL**") regulation on investment duties, which can be found at 29 C.F.R. Section 2550.404a-1. Moreover, an ERISA Plan fiduciary will need to think about ERISA's rules relating to delegation of control.

Prohibited Transactions

Section 406 of ERISA and Section 4975 of the Code prohibit specific transactions involving the assets of a Plan and persons who have certain specified relationships to the Plan, including fiduciaries and other service providers to the Plan, and certain affiliates of those persons. These persons are known as "parties-in-interest" within the meaning of ERISA or "disqualified persons" within the meaning of Section 4975 of the Code.

Whether or not the underlying assets of the Issuer are deemed to include "plan assets," as discussed below, the acquisition and/or holding of the Notes by a Plan with respect to which any of the Issuer, any Placement Agent, any subsequent transferee, the Administrators and certain other entities affiliated with this offering or any of their respective affiliates is considered a "party-in-interest" or a "disqualified person" may constitute or result in a direct or

indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, certain statutory exemptions under ERISA or the Code or administrative exemptions issued by the DOL may apply to the acquisition and holding of the Notes. Potentially applicable exemptions include, but are not necessarily limited to, Prohibited Transaction Class Exemption ("**PTCE**") 84-14, as amended, applicable to certain purchases by "qualified professional asset managers"; PTCE 90-1, applicable to purchases by certain insurance company pooled separate accounts; PTCE 91-38, applicable to purchases by certain bank collective investment funds; PTCE 95-60, applicable to purchases by certain insurance company general accounts; and PTCE 96-23, applicable to certain purchases by "in-house asset managers" (collectively, the "**Investor Exemptions**").

The fiduciary of a Plan that proposes to acquire and hold any Notes should consider, among other things, whether such acquisition and holding may involve (1) a direct or indirect extension of credit to a "party-in-interest" or a "disqualified person," (2) the sale or exchange of any property between a Plan and a "party-in-interest" or a "disqualified person" or (3) the transfer to, or use by or for the benefit of, a "party-in-interest" or a "disqualified person" of "plan assets" or any other potential prohibited transaction. In this regard, there can be no assurance that any of the Investor Exemptions described above or any other exemption will be available with respect to any particular transaction involving the Notes. Most of these exemptions do not, however, provide relief from some or all of the self-dealing prohibitions under Section 406 of ERISA and Section 4975 of the Code.

Among other potential results, a fiduciary that has engaged in a prohibited transaction may be required to (i) restore to the Plan any profit realized on the transaction, (ii) reimburse the Plan for any losses suffered by the Plan as a result of such transaction or (iii) unwind the transaction. A "disqualified person" would also be required to pay excise taxes based upon the amount involved in the transaction (including a 100% excise tax if the transaction is not corrected within a certain time period).

Plan Assets

The regulation issued by the DOL at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the "**Plan Assets Regulation**"), defines the term "plan assets," which applies to entities in which a Plan invests, directly or indirectly, such as the Notes. Under these "look through" provisions, if a Plan acquires an interest in an equity security of an entity, the assets of the Plan would be deemed to include not only the equity security but an undivided proportional interest in the underlying assets of the entity. An "equity interest" is defined under the applicable rules as any interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features.

If an Issuer were to be regarded as a plan asset entity, the assets and transactions of the Issuer would be attributed to the Plan investor. In this event, among other things, the fiduciary of any Plan that purchases Notes could be viewed as having improperly delegated to the Issuer responsibility for the management of the Plan's assets, and the transactions and holdings of the Issuer might involve violations of the prohibited transaction rules of ERISA and the Code as well as violations of other rules applicable under ERISA.

In addition, any insurance company proposing to invest assets of its general account in the Notes should consider the extent that such investment would be subject to the requirements of ERISA in light of the U.S. Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank* and under any subsequent legislation or other guidance that has or may become available relating to that decision, including the enactment of Section 401(c) of ERISA by the Small Business Job Protection Act of 1996 and the regulations promulgated thereunder by the DOL.

Exceptions under the Plan Assets Regulation

The Plan Assets Regulation provides several exceptions to the general rule of "plan asset" treatment. If an exception applies, the assets of an entity are not treated as "plan assets". One such exception applies when equity participation in the entity by "Benefit Plan Investors" (as defined below) is not "significant". Equity participation in an entity by Benefit Plan Investors is "significant" on any date if, immediately after the most recent acquisition or disposition of any equity interest in the entity, 25% or more of the value (in the aggregate) of any class of equity interests in the entity is held by Benefit Plan Investors.

For purposes of the 25% test, the term "**Benefit Plan Investors**" within the meaning of the Plan Assets Regulation includes (i) Plans and (ii) persons or entities deemed to hold "plan assets" due to an investment in such person or entity by Plans or otherwise for purposes of Section 406 of ERISA and Section 4975 of the Code. For purposes of calculating the 25% threshold under the Plan Assets Regulation, the value of any equity interest held by a person or entity (other than a Benefit Plan Investor) who has discretionary authority or control with respect to the assets of a Plan or that provides investment advice for a fee (direct or indirect) with respect to such assets (or an "affiliate" within the meaning of the Plan Assets Regulation of such person or entity) ("**Controlling Person**") is disregarded. The 25% test must be satisfied at each acquisition, transfer or disposition of an interest in the Notes in order for the assets of the Issuer to not be treated as "plan assets".

Similar Plans

Non-U.S. plans described in Section 4(b)(4) of ERISA, "governmental plans" within the meaning of Section 3(32) of ERISA, "church plans" within the meaning of Section 3(33) of ERISA that have made no election under Section 410(d) of the Code or a benefit plan that is not a Benefit Plan Investor (each, a "**Similar Plan**"), while not subject to the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA or Section 4975 of the Code, may nevertheless be subject to any federal, state, local or foreign law or regulation that contains one or more provisions that are substantially similar to the foregoing provisions of ERISA and the Code ("**Similar Law**"), such as the prohibited transaction rules of Section 503 of the Code. Fiduciaries of any such Similar Plans should consult with their counsel before purchasing the Notes to determine the need for and the availability of, any exemptive relief under any Similar Law.

Representations and Warranties

Each purchaser and subsequent transferee of the Notes (or any interest therein) will be deemed to have represented, warranted and agreed that either (I) it is not acquiring the Notes (or any interest therein) on behalf of any Benefit Plan Investor or Controlling Person or (II) its acquisition, holding and disposition of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any Similar Law. Any purported transfer of the Notes in violation of the requirements set forth in this paragraph will be null and void *ab initio* and the Issuer will have the right to compel any purchasers acquiring the Notes in violation of the requirements set forth in this paragraph to sell such Notes or to sell such Notes on behalf of such purchaser.

Further, each purchaser and subsequent transferee of the Notes (or any interest therein) will be deemed to have represented, warranted and agreed that either (1) it is not a Similar Plan or (2) it is a Similar Plan and (i) it is not, and for so long as it holds such Notes (or any interest therein) will not be subject to any federal, state, local, non-U.S. or other law or regulation that could cause the underlying assets of the Issuer to be treated as assets of the investor in any Note (or any interest therein) by virtue of its interest and thereby subject the Issuer to any Similar Law, (ii) its acquisition, holding and disposition of the Notes (or any interest therein) and the Issuer's holding and use of the proceeds from the issuance and sale of the Notes will not constitute or result in a non-exempt prohibited transaction under, or a violation of, any Similar Law and (iii) it will not transfer such Notes to any person or entity unless such person or entity could truthfully make the foregoing representations and agreements.

Each purchaser and subsequent transferee of the Notes that is a Benefit Plan Investor will be deemed to have represented by its acquisition of the Notes that (1) none of the Issuer, the Registrar, the Administrators, the Repack Indenture Trustee, the Placement Agent or any of their respective affiliates (each, a "**Transaction Party**") has provided any investment recommendation or investment advice to the Benefit Plan Investor or any fiduciary or other person investing the assets of the Benefit Plan Investor or who otherwise has discretion or authority over the investment and management of "plan assets" (a "**Plan Fiduciary**"), on which either the Benefit Plan Investor or the Plan Fiduciary has relied in connection with the decision to acquire the Notes, and that the Transaction Parties are not otherwise acting as a "fiduciary" within the meaning of Section 3(21) of ERISA or Section 4975(e)(3) of the Code to the Benefit Plan Investor or the Plan Fiduciary in connection with the Benefit Plan Investor's acquisition of the Notes and (2) the Plan Fiduciary is exercising its own independent judgement in evaluating the transaction.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN ERISA IMPLICATIONS OF AN INVESTMENT IN THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL, TAX, FINANCIAL AND OTHER ADVISORS

PRIOR TO INVESTING IN THE NOTES TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the Note Purchase Agreement dated January 16, 2020, entered into between the Issuer, the Placement Agent, the Class A Noteholder Agent and the Class B Notes Initial Purchaser, the Issuer has agreed to issue and the Placement Agent has agreed to place with the Class A Noteholder Agent, as agent, and the Class A Noteholder Agent has agreed to purchase, as agent, from the Issuer, U.S.$230,961,000.00 of the Class A Notes. The Issuer has also agreed to issue and sell to the Class B Notes Initial Purchaser and the Class B Notes Initial Purchaser has agreed to purchase the Class B Notes from the Issuer.

The obligation of the Placement Agent to place, the obligation of the Class A Noteholder Agent to purchase, as agent, and pay for the Class A Notes as provided in the Note Purchase Agreement on the Note Closing Date are subject to the satisfaction or waiver, as determined by the Placement Agent and the Class A Noteholder, respectively, in its sole discretion, of certain conditions precedent contained in the Note Purchase Agreement on or prior to the Note Closing Date.

The Issuer has agreed to indemnify the Placement Agent and its controlling persons against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the Placement Agent may be required to make in respect of any of those liabilities. The Republic has agreed to indemnify the Placement Agent with respect to the information regarding the Republic set forth in Appendix B.

On the Note Closing Date, the Notes may only be purchased by or for the account or benefit of any of the following: (a) persons that are U.S. persons (as defined in Regulation S under the Securities Act) in transactions outside the United States in compliance with Regulation S or (b) persons who are QIBs purchasing a Note or a beneficial interest in accordance with Rule 144A.

Notes are not being registered in the United States.

The Class A Notes have not been and will not be registered under the Securities Act, any state securities laws, or the securities laws of any other jurisdiction. The Placement Agent has agreed that it will not offer or sell the Notes within the United States or to U.S. persons (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold (i) within the United States or to U.S. persons, only to or for the account of persons that are QIBs and (ii) outside the United States, to persons other than U.S. persons (as defined in Regulation S), in compliance with Regulation S. In addition, the Notes are subject to restrictions on transfer and resale. The Issuer intends to rely primarily on Rule 3a-7 to avoid being required to register as an investment company thereunder.

Until the expiration of 40 days after the commencement of the offering, any offer or sale of Notes within the United States by a broker-dealer may violate the registration requirements of the Securities Act, unless such offer or sale is made pursuant to Rule 144A under the Securities Act or another available exemption from the registration requirements thereof.

New issue of Class A Notes

The Notes are a new issue of securities for which there currently is no market. Application has been made to list the Repack Notes on the Official List of the Luxembourg Stock Exchange and for admission to trading on the Euro MTF market. In the event that the global certificate for the Notes is exchanged for definitive certificates, an announcement of such exchange will be made by or on behalf of the Issuer through the Luxembourg Stock Exchange and the announcement will include all material information with respect to the delivery of the definitive certificates. The Notes will be issued in minimum denominations of U.S.$200,000 each or integral multiples of U.S.$1,000 in excess thereof. The Placement Agent has advised the Issuer that it intends to make a market in the Notes as permitted by applicable law. The Placement Agent is not required, however, to make a market in the Notes and any market-making may be discontinued at any time at the Placement Agent's sole discretion. Accordingly, the Issuer can give no assurance as to the development or liquidity of any market for the Notes. If an active public trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the general economic conditions and other factors.

Short Positions and Stabilization Transactions

In connection with the offering, the Placement Agent may purchase and sell the Notes in the open market. These transactions may include short sales, purchases to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the Placement Agent of a greater principal amount of notes than it is required to purchase in the offering. The Placement Agent purchases Notes in the open market to close out any short positions. A short position is more likely to be created if the Placement Agent is concerned that there may be downward pressure on the price of the Notes in the open market prior to the completion of the offering.

Stabilizing transactions consist of various bids for or purchases of the Notes made by the Placement Agent in the open market prior to the completion of the offering. Purchases to cover a short position and stabilizing transactions may have the effect of preventing or slowing a decline in the market price of the Notes. Additionally, these purchases may stabilize, maintain or otherwise affect the market price of the Notes.

In connection with the offering of Notes, the Placement Agent (or persons acting on their behalf) may engage in over-allotment of Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Note Closing Date. However, there is no assurance that the Placement Agent (or persons acting on their behalf) will undertake stabilization action.

If the Placement Agent engages in stabilizing or short-covering transactions, it may discontinue them at any time, and if begun, must be brought to an end after a limited period. Any over-allotment, stabilizing and short-covering transactions must be conducted by the Placement Agent, or persons acting on their behalf, in accordance with applicable laws.

These transactions may be effected in the over-the-counter market or otherwise.

Settlement

The Issuer expects that delivery of the Notes will be made to investors on or about January 30, 2020, which will be the ninth Note Business Day following the date of this Offering Memorandum. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two Note Business Days, unless the parties to any such trades expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of the pricing or the next succeeding four Note Business Days will be required, by virtue of the fact that the Notes initially will settle in "T+9," to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding four Note Business Days should consult their own advisor.

Persons who purchase Class A Notes from the Placement Agent may be required to pay stamp duty, taxes and other charges in accordance with the law and practice of the country of purchase in addition to the offering price set forth on the cover page of this Offering Memorandum.

Certain Relationships

From time to time, the Placement Agent and its affiliates have provided, and may in the future provide, certain services for the Issuer for which they have received or may receive customary fees and commissions. The Placement Agent may, from time to time, engage in transactions with and perform services for the Issuer in the ordinary course of its business for which it may receive customary fees and reimbursement of expenses. In the ordinary course of its business activities, the Placement Agent or its affiliates may at any time make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for its own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of Issuer. The Placement Agent or its affiliates that have a lending relationship with the Issuer may hedge their credit exposure to the Issuer or its respective assets consistent with their customary risk management policies. The Placement Agent or one of its affiliates intends to purchase and hold the economic interest in the Class A Notes. Any short positions could adversely affect future trading prices of the Class A Notes offered hereby. The Placement Agent and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial

instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Certain Selling Restrictions

Notice to Prospective Investors in the EEA or the United Kingdom

The Notes may not 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 United Kingdom. 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 2002/92/EC 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, (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the United Kingdom may be unlawful under the PRIIPs Regulation.

Notice to Prospective Investors in United Kingdom

The Placement Agent has represented, warranted and agreed that:

- in relation to any Notes which have a maturity of less than one year; (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") by the Issuer;

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

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

Notice to Prospective Investors in The Republic

The Notes have not been registered with the CNV, and, therefore, the Notes are not authorized for public offering in The Republic and may not be offered, placed, distributed, commercialized and/or negotiated publicly in The Republic, except in transactions exempted from registration under the securities laws of The Republic. Documents relating to the offering of the Notes, as well as information contained therein, may not be offered publicly in The Republic nor be used in connection with any public offering for subscription or sale of the Notes in The Republic. The CNV has not reviewed the information contained in this Offering Memorandum. The Notes and offering thereof are not subject to the supervision of the CNV, and the Notes do not benefit from the tax incentives provided by the securities laws of The Republic.

Notice to Prospective Investors in Federative Republic of Brazil

The Notes have not been and will not be issued nor publicly placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the Notes has not been nor will be registered with the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the Notes in Brazil is not legal without prior registration under Law 6,385/76, as amended, and Instruction No. 400, issued by the CVM on December 29,

2003, as amended. Documents relating to the offering of the Notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the Notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the Notes to the public in Brazil.

Persons wishing to offer or acquire the Notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

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 this Offering Memorandum (including any amendment thereto) contains a misrepresentation provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("**NI 33-105**") the Placement Agent 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 the Republic of Chile

This private offering will begin on January 16, 2020 and is governed under the provisions of General Rule No. 336 (*Norma de Carácter General N° 336*) of the Chilean Financial Market Commission (*Comisión para el Mercado de Valores*, or "CMV"). This offering relates to notes that have not been registered with the Registry of Securities (*Registro de Valores*) or the Registry of Foreign Securities (*Registro de Valores Extranjeros*) of the SVS and as such are not subject to the supervision of the SVS. Because the Notes are not registered with the Registry of Foreign Securities, there is no obligation of the Issuer to deliver public information in Chile in connection with the Notes related to this offering. The Notes may not be sold in a public offering in Chile as long as such Notes are not registered in the Registry of Foreign Securities.

Esta oferta privada se inicia el día 16 de enero de 2020 y se acoge a las disposiciones de la Norma de Carácter General N° 336 de la Comisión para el Mercado de Valores. Esta oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la Comisión para el Mercado de Valores, por lo que tales valores no están sujetos a la fiscalización de ésta. Por tratar de valores no inscritos no existe la obligación por parte del emisor de entregar en chile información pública respecto de los valores sobre los que versa esta oferta. Estos valores no podrán ser objeto de oferta pública mientras no sean inscritos en el registro de valores correspondiente.

Notice to Prospective Investors in the Republic of Colombia

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

Notice to Prospective Investors in Peru

The Notes, this Offering Memorandum and other offering materials related to the offer of the Notes are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru, and therefore will be supplied to those Peruvian investors who have expressly requested them. Such materials

may not be redistributed to any person or entity other than the intended recipients. Peruvian securities laws and regulations on public offerings will not be applicable to the issuer or the sellers of the Notes before or after their acquisition by prospective investors. The Notes and the information contained in this Offering Memorandum have not been and will not be reviewed, confirmed, approved or in any way submitted to the Peruvian Securities Market Superintendency (*Superintendencia del Mercado de Valores*) (the "**SMV**") nor have they been registered with the SMV's Securities Market Public Registry (*Registro Público del Mercado de Valores*). Accordingly, the 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 law and regulations and complies with the provisions on private offerings set forth therein.

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

Notice to Prospective Investors in Costa Rica

The Notes have not been and will not be registered with Costa Rica's General Superintendency of Securities and, therefore, the Notes are not authorized for public offering in Costa Rica and may not be offered, placed, distributed, commercialized and/or negotiated publicly in Costa Rica, documents relating to the offering of the Notes, as well as information contained therein, may not be offered publicly in Costa Rica, nor be used in connection with any public offering for subscription or sale of the Notes in Costa Rica.

Notice to Prospective Investors in Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) or (ii) to "*professional investors*" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder; or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case 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 in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "*professional investors*" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Japan

The Notes offered in this Offering Memorandum have not been and will not be registered under the Financial Instruments and Exchange Law of Japan. The Notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (including any corporation or other entity organized under the laws of Japan), except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Notice to Prospective Investors in the Republic of Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Notes may not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and neither this Offering Memorandum nor any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may be circulated, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of 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.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

- where no consideration is or will be given for the transfer;

- where the transfer is by operation of law;

- as specified in Section 276(7) of the SFA; or

- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Solely for the purposes of its obligations pursuant to sections 309(b)(1)(a) and 309(b)(1)(c) of the securities and futures act (chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in section 309a of the SFA) that the notes are "*prescribed capital markets products*" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and "*excluded investment products*" (as defined in Mas Notice SFA 04-N12: Notice on the Sale of Investment Products and Mas Notice FAA-N16: Notice on Recommendations on Investment Products).

Notice to Prospective Investors in Switzerland

This Offering Memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein in Switzerland. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Offering Memorandum nor any other offering or marketing material relating to the offering, nor the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority (e.g., the Swiss Financial Markets Supervisory Authority FINMA), and investors in the Notes will not benefit from protection or supervision by such authority.

Notice to Prospective Investors in Italy

No application has been or will be made by any person to obtain an authorization from Commissione Nazionale per le Società e la Borsa ("**CONSOB**") for the public offering (*offerta al pubblico*) of the Notes in the Republic of Italy. Accordingly, no may be offered, sold or delivered, nor may copies of this Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the "**Financial Services Act**") and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of May 14, 1999, as amended from time to time ("**Regulation No. 11971**"); or

- in any other circumstances where an express exemption from compliance with the rules relating to public offers of financial products (*offerta al pubblico di prodotti finanziari*) provided for by the Financial Services Act and the relevant implementing regulations (including Regulation No. 11971) applies.

Any offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in the Republic of Italy must be made:

- only by banks, investment firms (*imprese di investimento*) or financial institutions enrolled in the register provided for under article 106 of Italian Legislative Decree No. 385 of 1 September, 1993, as subsequently amended from time to time (the "**Italian Banking Act**"), in each case to the extent duly authorized to engage in the placement and/or underwriting (*sottoscrizione e/o collocamento*) of financial instruments (*strumenti finanziari*) in Italy in accordance with the Italian Banking Act, the Financial Services Act and the relevant implementing regulations; and

- only to qualified investors (*investitori qualificati*) as set out above;

- in accordance with all applicable Italian laws and regulations, including all relevant Italian securities and tax laws and regulations and any limitations as may be imposed from time to time by CONSOB or the Bank of Italy.

Luxembourg

The Notes may not be offered or sold to the public within the territory of Luxembourg unless:

- a prospectus has been duly approved by the Commission de Surveillance du Secteur Financier (the "**CSSF**") pursuant to part II of the Luxembourg law dated 16 July 2019 on prospectuses for securities, which applies Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") (the "**Luxembourg Prospectus Law**"), if Luxembourg is the home Member State as defined under the Prospectus Regulation; or

- if Luxembourg is not the home Member State as defined under the Prospectus Regulation, the CSSF and the European Securities and Markets Authority have been provided by the competent authority in the home Member State with a certificate of approval attesting that a prospectus in relation to the Notes has been duly approved in accordance with the Prospectus Regulation and with a copy of that prospectus; or

- the offer of Notes benefits from an exemption from, or constitutes a transaction not subject to, the requirement to publish a prospectus or similar document under the Luxembourg Prospectus Law;

Other Jurisdictions

No action has been taken in any jurisdiction (including the United States or The Republic) by the Issuer or the Placement Agent that would permit a public offering of the Notes in any jurisdiction where action for that purpose is required. The Notes may not be offered or sold, directly or indirectly, nor may this Offering Memorandum or any other offering material or advertisements in connection with the offer and sale of the Notes be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of such jurisdiction. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes and the distribution of this Offering Memorandum. This Offering Memorandum does not constitute an offer to purchase or a solicitation of an offer to sell any of the Notes in any jurisdiction in which such an offer or a solicitation is unlawful.

TRANSFER RESTRICTIONS

Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

The Notes are subject to restrictions on transfer as summarized below. By purchasing Notes (which term for the purposes of this Section will be deemed to include any interest in the Notes, including book-entry interests) you will be deemed to have made the following acknowledgements, representations to and agreements with the Placement Agent and the Issuer:

1. You acknowledge that:

   - the Notes have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, or any other securities laws, and the Notes 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, pledged 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. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of the Issuer, that you are not acting on behalf of the Issuer and that either:

   - you are a QIB (as defined in Rule 144A under the Securities Act) and are purchasing Notes for your own account or for the account of another who is a QIB, and you are aware that the Placement Agent is selling the Notes to you in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; or

   - you are 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, and you are purchasing Notes in an offshore transaction in accordance with Regulation S.

3. You acknowledge that the Issuer, and the Placement Agent and any person representing the Issuer, or the Placement Agent have not made any representation to you with respect to the Issuer or the offering of the Notes, other than the information contained in this Offering Memorandum. You represent that you are relying only on this Offering Memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning the Issuer and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from the Issuer.

4. You represent that you are purchasing Notes for your own account, or for one or more investor accounts for which you are 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 their ability to resell the Notes pursuant to Rule 144A, Regulation S or any other available exemption from registration under the Securities Act or pursuant to an effective registration statement under the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent Holder of the Notes by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:

   - to the Issuer;

   - under a registration statement that has been declared effective under the Securities Act;

- for so long as the Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a QIB that is purchasing for its own account or for the account of another QIB and to whom notice is given that the transfer is being made in reliance on Rule 144A;

- through offers and sales to Non-U.S. Persons that occur outside the United States within the meaning of and in accordance with Regulation S under the Securities Act; or

- under any other available exemption from the registration requirements of the Securities Act;

- subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller's or account's control.

- You also acknowledge that:

    - the above restrictions on resale will apply from the Note Closing Date until the date that is one year (in the case of Rule 144A notes) or 40 days (in the case of Regulation S notes) after the later of the Note Closing Date and the last date that the Issuer or any of its affiliates was the owner of the Notes or any predecessor of the Notes (the "**Resale Restriction Period**"), and will not apply after the applicable Resale Restriction Period ends;

    - the Issuer and the Repack Indenture Trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under the fifth bullet point above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuer and the Repack Indenture Trustee; and

    - each Note will contain a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY NOT BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED NOTES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS IN THE CASE OF RULE 144A NOTES: ONE YEAR – IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL CLOSING DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF SUCH NOTE), ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A PERSON WHO IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS WITHIN THE MEANING OF AND IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF UNITED STATES COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL ONLY BE REMOVED AT THE OPTION OF THE ISSUER AFTER THE RESALE RESTRICTION TERMINATION DATE.

- You acknowledge that the Issuer, the Placement Agent and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes is no longer accurate, you will promptly notify the Issuer and the Placement Agent in writing. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

- Each purchaser that is acquiring Notes pursuant to Regulation S under the Securities Act represents that it is not acquiring the Notes with a view to the resale, distribution or other disposition thereof to a U.S. person (or for the account or benefit of a U.S. person) or in the United States.

- Each purchaser (or if it is acting for the account of another person, such purchaser has confirmed to it in writing that such other person) either:

    - it is not acquiring the Notes (or any interest therein) on behalf of a Benefit Plan Investor or Controlling Person; or

    - its acquisition, holding and disposition of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any Similar Law;

- either:

    - it is not a Similar Plan; or

    - it is a Similar Plan and (i) it is not, and for so long as it holds such Notes (or any interest therein) will not be subject to any federal, state, local, non-U.S. or other law or regulation that could cause the underlying assets of the Issuer to be treated as assets of the investor in any Note (or any interest therein) by virtue of its interest and thereby subject the Issuer to any Similar Law, (ii) its acquisition, holding and disposition of the Notes (or any interest therein) and the Issuer's holding and use of the proceeds from the issuance and sale of the Notes will not constitute or result in a non-exempt prohibited transaction under, or a violation of, any Similar Law and (iii) it will not transfer such Notes to any person or entity unless such person or entity could truthfully make the foregoing representations and agreements;

- that, if it is a Benefit Plan Investor, it will be deemed to have represented by its acquisition of the Notes that:

    - none of the Transaction Parties has provided any investment recommendation or investment advice to the Benefit Plan Investor, or Plan Fiduciary, on which either the Benefit Plan Investor or the Plan Fiduciary has relied in connection with the decision to acquire the Notes, and that the Transaction Parties are not otherwise acting as a "*fiduciary*" within the meaning of Section 3(21) of ERISA or Section 4975(e)(3) of the Code to the Benefit Plan Investor or the Plan Fiduciary in connection with the Benefit Plan Investor's acquisition of the Notes; and

    - the Plan Fiduciary is exercising its own independent judgement in evaluating the transaction; and

- it is either (i) (1) a QIB, (2) aware that the sale of the Notes to is being made in reliance on Rule 144A and (3) is acquiring such Notes for their own account or for the account of a QIB or (ii) not a U.S. person and acquiring the Notes in an offshore transaction in reliance upon Regulation S (in each case, within the meaning of Regulation S) of the Securities Act.

- You acknowledge that the Registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to the Issuer and the Registrar that the restrictions set forth herein have been complied with.

- You agree that you will, and each subsequent Holder is required to, give to each person to whom they transfer the Notes notice of any restrictions on the transfer of the Notes.

- You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Placement Agent that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth above, in the Indenture governing the Notes and/or in this Offering Memorandum under "*Plan of Distribution*".

- You understand that the Issuer will not recognize any offer, sale, pledge or other transfer of the Notes made other than in compliance with the above stated restrictions.

LEGAL MATTERS

The validity of the Notes and certain other matters governed by U.S. federal and state law will be passed upon by Clifford Chance US LLP, counsel to the Placement Agent. Certain matters governed by Luxembourg law will be passed upon by Clifford Chance Luxembourg, special Luxembourg counsel to the Placement Agent. Certain matters governed by Dutch law will be passed upon by Clifford Chance Amsterdam, special Dutch counsel to the Placement Agent.

LISTING AND GENERAL INFORMATION

Listing Information

Application has been made to list the Repack Notes on the Official List of the Luxembourg Stock Exchange and for admission to trading on the Euro MTF market. The Notes have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream. The ISIN numbers and Common Codes for the Notes are as follows:

	Rule 144A Global Note	Regulation S Global Note
ISIN	XS2106052827	XS2106052405
Common Code	210605282	210605240

In the event the Global Notes are exchanged for Definitive Notes, announcement of such exchange will be made in the manner provided under "*Description of the Notes*" and such announcement will include all material information with respect to the delivery of the Definitive Notes.

Copies of the Repack Trust Indenture, the Security Documents, the Issuer's constitutional documents, the Issuer's future financial statements and this Offering Memorandum will be available free of charge at the offices of the Issuer.

No post-issuance information will be provided in relation to the Notes or the Republic Notes.

AUTHORIZATION OF THE ISSUANCE OF THE NOTES

The Managers of the Issuer have held a board meeting on January 15, 2020, prior to the Note Closing Date, to resolve to issue the Notes and among other resolutions, to enter into and execute the each of the Transaction Documents to which the Issuer is a party.

LITIGATION

Except as disclosed in this Offering Memorandum, the Issuer is not involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as the Issuer is aware is any such litigation or arbitration pending or threatened.

Except as disclosed in this Offering Memorandum, since its date of incorporation there has been no material adverse change in the financial or trading position or the prospects of the Issuer.

ANNEX A
GLOSSARY OF DEFINED TERMS

"**Accounts**" has the meaning set forth in "*Description of the Notes—Accounts under the Repack Trust Indenture*".

"**Affiliate**" means, with respect to any Person, any other Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, such specified Person. For purposes of this definition, the term "*control*" (including the correlative meanings of the terms "*controlled by*" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the board of directors or managers or the management policies of such Person, whether through the ownership of voting securities or by contract or otherwise; *provided* that this definition shall not include the Corporate Services Provider or any other special purpose entity for which the Corporate Services Provider acts as share trustee or provides directors or managers.

"**Agents**" means the Calculation Agent, the Securities Intermediary, the Collateral Agent, each Transfer Agent, Repack Paying Agent and Registrar and each other agent appointed by the Issuer pursuant to the Repack Trust Indenture.

"**Applicable Accounting Standards**" shall mean (a) IFRS, to the extent applied in the Republic or (b) otherwise the generally accepted accounting principles applied in the Republic, in each case, applied on a consistent basis.

"**Applicable Procedures**" has the meaning set forth in "*Description of the Notes—Transfer and Exchange—Transfers to QIBs*".

"**Auditor Engagement Letter**" means the engagement letter to be entered into between the Issuer and EY Luxembourg.

"**Bankruptcy Event**" means, with respect to any Person in any applicable jurisdiction, (a) the taking of any of the following actions by such Person: (i) applying for or consenting to a receivership order, the appointment of, or the taking of possession by, a receiver, custodian, trustee in bankruptcy, examiner or liquidator for itself or all or a substantial part of its Property or assets; (ii) making a general assignment for the benefit of its creditors; (iii) commencing a voluntary case under any Bankruptcy Law; (iv) filing a petition seeking to take advantage of any other Law relating to bankruptcy, insolvency, receivership, insolvent reorganization, liquidation, dissolution, insolvent arrangement or winding-up, or composition or readjustment of any Debt; or (v) taking any corporate action for the purpose of effecting any of the foregoing; or (b) the commencement in any court of competent jurisdiction, of a proceeding or case seeking: (i) the insolvent reorganization, liquidation, dissolution, insolvent arrangement or winding-up of such Person, or the composition or readjustment of such Person's Debts; (ii) the appointment of a receiver, custodian, trustee, examiner or liquidator of such Person for all or a substantial part of such Person's Property or assets; or (iii) similar relief in respect of such Person under any Law relating to bankruptcy, insolvency, receivership, insolvent reorganization, liquidation, dissolution, insolvent arrangement or winding-up, or composition or readjustment of Debts, and any such proceeding or case set forth in this clause (b) shall continue undismissed or unstayed for a period of at least 60 days; or (c) the entering against such Person in any jurisdiction of an order for relief under any Law relating to bankruptcy, insolvency, receivership, insolvent reorganization, liquidation, dissolution, insolvent arrangement or winding-up, or composition or readjustment of any Debt of that jurisdiction, and, with respect to any Person organized under, the Laws of Luxembourg, the above includes in particular: (A) the occurrence of a state of cessation of payments (*cessation de payments*) and the loss of commercial creditworthiness (*ébranlement de credit*); (B) the institution of bankruptcy proceedings (*faillite*) under articles 437ff of the Luxembourg Code of Commerce, the filing for relief under the suspension of payments procedure (*sursis de paiement*) of articles 593ff of the Luxembourg Code of Commerce, or any composition proceedings (*concordat préventif de faillite*) under the Luxembourg law of 14 April 1886, as amended; (C) the opening of controlled management proceedings (*gestion contrôlée*) as defined in the Luxembourg Grand-Ducal Decree dated 24 May 1935; (D) the institution of any proceedings for judicial liquidation (*liquidation judiciaire*) under article 1200-1 of the Luxembourg law dated 10 August 1915 on commercial companies, as amended; (E) the obtaining of a moratorium in respect of any of its indebtedness or for the purpose of proposing a company voluntary arrangement with creditors, any other re-organisation proceedings or proceedings affecting the rights of creditors generally; (F) an application has been made by it or by any other person for the appointment of an insolvency receiver (*curateur*), surveyor judge (*juge commissaire*), delegated judge (*juge délégué*), commissioner (*commissaire*), liquidator (*liquidateur*), judicial

administrator (*administrateur judiciaire*), temporary administrator (*administrateur provisoire ou ad hoc*), conciliator (*conciliateur*) or other similar officer pursuant to any insolvency or similar proceedings; or (G) an application has been made by it for opening of any voluntary liquidation and dissolution proceedings under articles 1100-1 *et seqq*. of the Luxembourg law dated 10 August 1915 on commercial companies, as amended.

"**Bankruptcy Law**" means, with respect to any jurisdiction, the Law governing bankruptcies or insolvencies in such jurisdiction.

"**Benefit Plan Investors**" has the meaning set forth in "*ERISA and Benefit Plan Considerations—Exceptions under the Plan Assets Regulation*".

"**BNYM Engagement Letter**" means the engagement letter to be entered into between the Issuer and The Bank of New York Mellon.

"**Business Day**" means any day other than a Saturday, Sunday or any other day on which commercial banking institutions in any of London, Luxembourg, New York or Quito, Ecuador are authorized or required by Law to be closed.

"**Calculation Agent**" means The Bank of New York Mellon, not in its individual capacity but solely as Calculation Agent under the Repack Trust Indenture.

"**Capital Expenditure**" means a capital expenditure in accordance with GAAP.

"**Certificated Notes**" means the Notes, in certificated, registered non-global form, registered in the name of the Holder thereof, and issued, executed and delivered by the Issuer and authenticated by the Repack Indenture Trustee in exchange for interests in the Global Notes pursuant to the Repack Trust Indenture.

"**CFC**" has the meaning set forth in "*Taxation—U.S. Holders of Notes—Investment in a Controlled Foreign Corporation*".

"**Charter Documents**" means, with respect to any Person, the memorandum and articles of association and bylaws or such other documents or instruments of such Person establishing the legal personality or governing rules of such Person.

"**Class**" means each class of Notes, being the Class A Notes and the Class B Notes.

"**Class A Noteholder Agent**" means Goldman Sachs & Co. LLC in its capacity as purchaser, acting as agent, in respect of the Class A Notes.

"**Class A Notes**" means the Issuer's U.S.$230,961,000.00 2.60% Class A Notes due 2035 issued and authenticated pursuant to the Repack Trust Indenture to be issued on the Note Closing Date.

"**Class A Notes IDB Purchase Price**" means, in respect of a redemption of all of the Class A Notes following the occurrence of an IDB Purchase Redemption Event, an amount equal to par *plus* accrued interest in respect of the Class A Notes, as of the relevant redemption date for the Class A Notes.

"**Class A Notes Maturity Date**" means the final Class A Note Payment Date listed in Part 1 of the Note Payment Schedule in respect of the Class A Notes under "Class A Note Payment Date", subject to the Repack Trust Indenture.

"**Class A Notes Placement Agent**" means Goldman Sachs & Co. LLC in its capacity as placement agent in respect of the offer and sale of the Class A Notes.

"**Class A Notes Treasury Rate**" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue calculated by the Independent Investment Banker, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"**Class A Notes Voluntary Prepayment Price**" has the meaning set forth in *"Risks Relating to the Notes – Risk of*

Early Redemption".

"**Class B Notes**" means the Issuer's U.S.$326,852,000.00 zero-coupon Class B Notes due 2035 issued and authenticated pursuant to the Repack Trust Indenture to be issued on the Note Closing Date.

"**Class B Notes Exchange Ratio**" means quotient of (a) the "Principal Claim Amount on Republic Notes " applicable to such date as set out in the Class B Notes Redemption Schedule *divided by* (b) the "Class B Notes Principal Amount" applicable to such date as set out in the Class B Notes Redemption Schedule (without taking into account any previous redemptions of other Class B Notes), as determined by the Calculation Agent.

"**Class B Notes Initial Purchaser**" means Goldman Sachs & Co. LLC in its capacity as initial purchaser of the Class B Notes.

"**Class B Notes Principal Ratio**" means quotient of (a) the "Principal Claim Amount on Republic Notes" applicable to such date as set out in the Class B Notes Redemption Schedule *divided by* (b) the Outstanding principal balance of all Class B Notes on such date, as determined by the Calculation Agent.

"**Class B Notes Physical Settlement Notice**" means each notice issued in accordance with a Republic Notes Acceleration Event set forth in *"Description of the Notes-Early Redemptions"*, substantially in the form set out in the Repack Trust Indenture.

"**Class B Notes Redemption Schedule**" means the redemption schedule for the Class B Notes set out in the Repack Trust Indenture, which as at the date of this Offering Memorandum is as follows:

Time Period (ending on)	Class B Notes Principal Amount (U.S.$)	Principal Claim Amount on Republic Notes (U.S.$)
30-Jul-20	315,354,493.00	169,039,000.00
30-Jan-21	303,856,986.00	169,039,000.00
30-Jul-21	267,359,479.00	144,039,000.00
30-Jan-22	231,768,222.00	119,039,000.00
30-Jul-22	193,083,215.00	90,039,000.00
30-Jan-23	155,449,458.00	61,039,000.00
30-Jul-23	112,866,951.00	26,039,000.00
30-Jan-24	80,514,194.00	0.00
30-Jul-24	75,352,694.00	0.00
30-Jan-25	70,400,444.00	0.00
30-Jul-25	65,657,444.00	0.00
30-Jan-26	60,960,944.00	0.00
30-Jul-26	56,310,944.00	0.00
30-Jan-27	51,707,444.00	0.00
30-Jul-27	47,150,444.00	0.00
30-Jan-28	42,639,944.00	0.00
30-Jul-28	38,175,944.00	0.00
30-Jan-29	33,793,319.00	0.00
30-Jul-29	29,492,069.00	0.00
30-Jan-30	25,318,694.00	0.00
30-Jul-30	21,273,194.00	0.00
30-Jan-31	17,436,944.00	0.00
30-Jul-31	13,809,944.00	0.00
30-Jan-32	10,415,444.00	0.00
30-Jul-32	7,253,444.00	0.00
30-Jan-33	4,672,694.00	0.00
30-Jul-33	2,673,194.00	0.00
30-Jan-34	1,254,944.00	0.00
30-Jul-34	417,944.00	0.00

30-Jan-35	0.00	0.00

"**Clearstream**" has the meaning set forth on the cover page herein.

"**Clearstream Participants**" has the meaning set forth in "*Clearing and Settlement—Euroclear and Clearstream—Clearstream*".

"**CNV**" has the meaning set forth in "*Notice to Prospective Investors in the Republic*".

"**Code**" has the meaning set forth in "*Taxation—Certain U.S. Federal Income Tax Consequences*".

"**Collateral**" has the meaning set forth in "*The Offering—Security*".

"**Collateral Agent**" has the meaning set forth in "*Certain Key Transaction Parties–The Collateral Agent".*

"**Comparable Treasury Issue**" means the United States of America Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the period equal to the actual or interpolated remaining weighted average life of the Class A Notes to be redeemed (from the redemption date of such Class A Notes) that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of comparable debt securities of a comparable maturity to the period equal to the actual or interpolated remaining weighted average life of such Class A Notes (from the redemption date of such Class A Notes).

"**Comparable Treasury Price**" means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations or (ii) if the Calculation Agent obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations. When obtaining a Comparable Treasury Price, the Calculation Agent must consult at least three Reference Treasury Dealers.

"**CONSOB**" has the meaning set forth in "*Plan of Distribution—Certain Selling Restrictions—Notice to Prospective Investors in Italy*".

"**Controlling Person**" has the meaning set forth in "*ERISA and Benefit Plan Considerations—Exceptions under the Plan Assets Regulation*".

"**Corporate Services Agreement**" has the meaning set forth in "*Certain Key Transaction Parties — Corporate Services Provider*".

"**Corporate Services Provider**" means TMF Luxembourg S.A.

"**Corporate Trust Office**" shall mean the office of The Bank of New York Mellon (acting in any of its capacities hereunder) at which at any particular time its corporate trust business shall be principally administered, which office on the Note Closing Date is located in New York, NY, at 240 Greenwich Street, Floor 7E, 10286, or such other address as The Bank of New York Mellon (acting in any of its capacities hereunder) may designate from time to time by written notice to the Issuer, or the principal corporate trust office of any successor to The Bank of New York Mellon (acting in any of its capacities hereunder).

"**Debt**" means (without duplication), with respect to any Person, whether recourse is to all or a portion or none of the assets of such Person and whether or not contingent, (a) every obligation of such Person for money borrowed, (b) every obligation of such Person evidenced by debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of Property, assets or businesses, (c) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities in any such case, not in connection with trading or other day-to-day business of such Person, issued for the account of such Person, (d) any net liability under any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate insurance, currency swap agreement, currency option, future or purchase or sale agreement or other agreement or arrangement designed to protect against fluctuations in interest rates and currency exchange rates, (e) every obligation of such Person issued or assumed as the deferred purchase price of any Property, (f) all capitalized lease obligations of such

Person, (g) every obligation of the type referred to in clauses (a) through (f) of another Person, the payment of which, in any case, such Person has Guaranteed or for which such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise and (h) all Debt referred to in clauses (a) through (f) secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on Property of such Person even though such Person has not assumed or become liable for the payment of such Debt (and, in connection therewith, the amount of "*Debt*" under this clause (h) shall be limited to the lesser of the amount of such Debt and the value of such Property).

"**Debt Service Account**" has the meaning specified in Section 4.6 (*Establishment of Accounts*) of the Repack Trust Indenture.

"**Default**" means any event or condition that, with the giving of notice, the lapse of time or both, would become an Event of Default.

"**Depositary**" means, with respect to the Notes issued in global form, Euroclear and Clearstream or such other Person as shall be designated by the Issuer as Depositary for the Notes pursuant to the Repack Trust Indenture; *provided* that each Depositary must at all times while it serves as Depositary be a clearing agency that is registered or exempt from registration under the Exchange Act, in respect of the Notes, and/or any other applicable statute or regulation in order to be eligible to act as a Depositary in connection with the Notes that are deposited with such Depositary.

"**Dodd-Frank Act**" means the Dodd-Frank Wall Street Reform and Consumer Protection Act.

"**DOL**" has the meaning set forth in "*ERISA and Benefit Plan Considerations—Fiduciary Duty of Investing ERISA Plans*".

"**Early Disbursement Guarantor Escrow Account**" means the account for the benefit of the Republic Indenture Trustee into which, following the occurrence of an Early Disbursement Event (as defined in the IDB Guarantee), the IDB shall be entitled to deposit any money payable under the IDB Guarantee.

"**Early Redemption Event**" means any of the following events upon which the Repack Notes may be redeemed early:

- in the case of the Class B Notes only, Republic Notes Acceleration Event;
- IDB Guarantee Event;
- IDB Purchase Redemption Event; and
- Republic Notes Voluntary Prepayment Event.

For a full description of each redemption event, see "*Description of the Notes—Early Redemption Events*".

"**EEA**" means the European Economic Area.

"**ERISA**" has the meaning set forth in "*ERISA and Benefit Plan Considerations*".

"**ERISA Plans**" has the meaning set forth in "*ERISA and Benefit Plan Considerations*".

"**Escrow Agent**" means The Bank of New York Mellon, acting in its capacity as escrow agent under the IDB Escrow Agreement.

"**Escrow Account Demand Notice**" means an "Escrow Account Demand Notice" (as defined in the IDB Escrow Agreement).

"**Euro MTF**" has the meaning set forth on the cover page herein.

"**Euroclear**" has the meaning set forth on the cover page.

"**Euroclear Participants**" has the meaning set forth in "*Clearing and Settlement—Euroclear and Clearstream—Euroclear*".

"**Euroclear Terms and Conditions**" has the meaning set forth in "*Clearing and Settlement—Euroclear and Clearstream—Euroclear*".

"**Event of Default**" has the meaning set forth in "*Description of the Notes—Defaults and Remedies—Events of Default*".

"**Exchange Act**" has the meaning set forth on page (i).

"**Fee Letters**" means the BNYM Engagement Letter, the Auditor Engagement Letter and the Rating Agency Fee Letter(s).

"**Finance Documents**" means, collectively:

(i) the Note Purchase Agreement;

(ii) the Repack Trust Indenture;

(iii) the Notes;

(iv) the Fee Letters;

(v) the Security Documents; and

(vi) any Indenture Supplement.

"**Financial Promotions Order**" has the meaning set forth in the "*Notice to Investors—Notice to Prospective Investors in the United Kingdom*".

"**Financial Services Act**" has the meaning set forth in "*Plan of Distribution—Certain Selling Restrictions—Notice to Prospective Investors in Italy*".

"**FinCEN**" has the meaning set forth in "*Taxation—U.S. Holders of Notes—Reporting Requirements*".

"**Fitch**" means Fitch Ratings, Inc. and its successors (including the surviving entity of any merger with another rating agency).

"**FSMA**" has the meaning set forth in "*Notice to Investors—Notice to Prospective Investors in United Kingdom*".

"**GAAP**" means the generally accepted accounting principles applicable in any jurisdiction under the Laws of which the relevant entity is organized.

"**Global Note**" means, individually or collectively, each of the global notes issued in accordance with the Repack Trust Indenture, substantially in the form of Exhibit A (*Form of Notes*) of the Repack Trust Indenture.

"**Good Faith Contest**" means the contest of an item if (a) the item is diligently contested in good faith by appropriate proceedings timely instituted; (b) adequate reserves are established in accordance with GAAP with respect to the contested item and held in cash; (c) during the period of such contest, the enforcement of any contested item is efficiently stayed; and (d) the failure to pay or comply with the contested item during the period of such contest could not reasonably be expected to result, individually or in the aggregate, in a Material Adverse Effect.

"**Government Official**" means (a) an employee, officer, or representative of, or any Person otherwise acting in an official capacity for or on behalf of a Governmental Authority; (b) a legislative, administrative, or judicial official; (c) an individual who holds any other official, ceremonial, or other appointed or inherited position with a government or any of its agencies; or (d) an officer or employee of a supra-national organization (e.g., World Bank, United Nations, International Monetary Fund, OECD).

"**Governmental Approval**" means any action, order, authorization, consent, approval, license, lease, ruling, permit, tariff, rate, certification, exemption, filing or registration from, by or with any Governmental Authority.

"**Governmental Authority**" means the government of any nation or any political subdivision thereof, whether a state, territory, province or otherwise, and any agency, authority, corporation (including but not limited to the MEF), instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory, or administrative powers or functions of, or pertaining to, government and having jurisdiction over the Person or matter in question.

"**Guarantee**" or "**Guaranty**" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt of any other Person, including any obligation, direct or indirect, contingent or otherwise, of such other Person: (a) to purchase or pay (or advance or supply funds for the purchase or payment of) any Debt (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase Property, securities and/or services, to take-or-pay or to maintain financial statement conditions or otherwise, other than agreements to purchase Property, securities and/or services at an arm's-length price in the ordinary course of business) or (b) entered into for the purpose of assuring in any other manner the holder of such Debt of the payment thereof or to protect such holder against loss in respect thereof (in whole or in part); *provided* that the term Guaranty shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" or "Guaranty" used as a verb has a corresponding meaning.

"**Hague Securities Convention**" means the Convention on the Law Applicable to Certain Rights in Respect of Securities held with an Intermediary, concluded by the Hague Conference on Private International Law on July 5, 2006.

"**Holder**" has the meaning set forth on the cover page herein.

"**IDB**" means the Inter-American Development Bank

"**IDB Escrow Agreement**" means the escrow agreement dated on or around the Note Closing Date between, *inter alios*, the IDB and the Issuer, entered into with respect to the Early Disbursement Guarantor Escrow Account.

"**IDB Guarantee**" means the partial credit guarantee of the Republic Notes issued by the IDB in favor of the Republic Indenture Trustee (for the benefit of the Guaranteed Holders, as defined therein) on or around the Note Closing Date.

"**IDB Guarantee Business Day**" means a "Business Day" (as defined in the IDB Guarantee).

"**IDB Guarantee Demand Notice**" means a "Demand Notice" (as defined in the IDB Guarantee).

"**IDB Guarantee Event**" means the occurrence of any of the following events:

(a) failure by the IDB to pay any amount demanded under the IDB Guarantee within 14 IDB Guarantee Business Days of receiving the relevant valid demand notice;

(b) the validity of the IDB Guarantee is contested by the IDB or the IDB denies any of its obligations under the IDB Guarantee (whether by a general suspension of payments or otherwise); or

(c) the IDB Guarantee terminates before amounts due under the IDB Guarantee have been reduced to zero, unless an Early Disbursement Event has occurred and the IDB has deposited the Maximum Guaranteed Amount into the Early Disbursement Guarantor Escrow Account in accordance with the terms of the IDB Guarantee.

"**IDB Purchase Price**" means, in respect of an IDB Purchase Redemption Event, the price payable by the IDB for the purchase of Republic Notes equal to par *plus* accrued interest, in an amount equal to (and not greater than) the then remaining Maximum Guaranteed Amount.

"**IDB Purchase Redemption Event**" means, following the occurrence of an "Event of Default" (as defined in the Republic Notes), up to the date falling six months thereafter, the exercise by the IDB of a call option whereby it purchases (and the holders of the Republic Notes are obliged to sell) as many Republic Notes as it is able to purchase at the IDB Purchase Price.

"**IGAs**" has the meaning set forth in "*Risk Factors—Risks Relating to the Issuer—Certain payments on the Notes may be subject to U.S. withholding tax under FATCA*".

"**Incur**" means, with respect to any Debt or other obligation of any Person (a) to create, issue, incur (by conversion, exchange or otherwise), assume, Guarantee or otherwise become liable in respect of such Debt or other obligation or (b) the recording, as required pursuant to GAAP, any other applicable accounting standards or legal requirements, or otherwise, of any such Debt or other obligation on the balance sheet of such Person (and "**Incurrence**," "**Incurred**," "**Incurrable**" and "**Incurring**" shall have meanings correlative to the foregoing); *provided* that a change in GAAP that results in an obligation that exists at the time of such change becoming Debt shall not be deemed an Incurrence of such Debt.

"**Independent Investment Banker**" means the "Independent Investment Bank" appointed pursuant to the terms and conditions of the Republic Notes or, if such entity is not a Reference Treasury Dealer under the Repack Trust Indenture, a dealer selected by the majority of the Class A Noteholders.

"**Indirect Participant**" means a Person who holds a beneficial interest in a Global Note through a Participant.

"**Insurance Mediation Directive**" has the meaning set forth on page (vii).

"**Interest Payment**" means, with respect to the Class A Notes and each Class A Notes Interest Payment Date, the amount set forth in the applicable Note Payment Schedule under "Interest Payment" for such Class A Notes Interest Payment Date.

"**Investment Company Act**" has the meaning set forth on the cover page herein.

"**Investor Exemptions**" has the meaning set forth in "*ERISA and Benefit Plan Considerations—Prohibited Transactions*".

"**IRS**" has the meaning set forth in "*Taxation—Certain U.S. Federal Income Tax Consequences*".

"**Issuer**" has the meaning set forth on the cover page herein.

"**Issuer Expense Account (EUR)**" has the meaning set forth in "*Description of the Notes—Accounts under the Repack Trust Indenture".*

"**Issuer Expense Account (USD)**" has the meaning set forth in "*Description of the Notes—Accounts under the Repack Trust Indenture".*

"**Issuer Expense Accounts**" means the Issuer Expense Account (USD) and the Issuer Expense Account (EUR).

"**Issuer Guarantee Escrow Account**" has the meaning set forth in "*Description of the Notes—Accounts under the Repack Trust Indenture".*

"**Issuer Notes Escrow Account**" has the meaning set forth in "*Description of the Notes—Accounts under the Repack Trust Indenture".*

"**Issuer Order**" means a written order of the Issuer signed by an Officer of the Issuer.

"**Issuer Securities Account**" has the meaning set forth in "*Description of the Notes—Accounts under the Repack Trust Indenture".*

"**Italian Banking Act**" has the meaning set forth in "*Plan of Distribution—Certain Selling Restrictions—Notice to Prospective Investors in Italy*".

"**Law**" means any statute, law, treaty, rule, regulation, ordinance, rule, judgment, rule of common law, order, code, decree, approval (including any Governmental Approval), concession, grant, franchise, license, agreement, directive, guideline, policy, requirement or other governmental restriction or any similar form of decision of, or determination by (or any interpretation or administration of any of the foregoing by), any Governmental Authority or otherwise,

including any judicial, arbitral or administrative order, consent decree, judgment or award, whether in effect as of the date hereof or hereafter.

"**Lien**" means, with respect to any Property or assets, any mortgage or deed of trust, pledge, hypothecation, assignment by way of security, deposit arrangement, security interest, lien, charge, easement (other than any easement not materially impairing usefulness or marketability), encumbrance, preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever on or with respect to such Property or assets (including any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing).

"**Majority Class A Noteholders**" means, as of any date of determination, holders of a majority of the Note Balance with respect to the Class A Notes only.

"**Majority Holders**" means, as of any date of determination, holders of a majority of the Note Balance.

"**Material Adverse Effect**" means any material adverse effect on (a) the legality, validity effectiveness or benefit to the Issuer of the Issuer's rights under the Sale and Purchase Agreement or in connection with the Republic Notes, (b) the Republic's obligations under or with respect to the Republic Notes, (c) the Issuer's ability to perform any of its obligations under the Repack Trust Indenture, the Notes or any other Finance Document to which it is a party, (d) the legality, validity or priority of the Liens on the Collateral pursuant to the Repack Trust Indenture or any other Security Document, or (e) the legality, validity or enforceability of any of the Finance Documents.

"**Maximum Guaranteed Amount**" has the meaning specified in the IDB Guarantee.

"**MEF**" means the Ministry of Economy and Finance of the Republic (*Ministerio de Economía y Finanzas*) of the Republic or any Governmental Authority that replaces it in the future.

"**MiFID II**" has the meaning set forth on page (ii).

"**Minimum Rating**" means, in respect of any person, such person's long term senior unsecured debt rating being assigned a rating of at least A by Fitch and S&P (or such other ratings which is consistent with the published criteria of or otherwise agreed with the relevant Rating Agency from time to time in respect of the relevant role) in each respect to the extent the Class A Notes are rated by such Rating Agency.

"**New York UCC**" means the Uniform Commercial Code as in effect from time to time in the State of New York.

"**Non-U.S. Person**" means any person that is not a U.S. Person.

"**Note Balance**" means, with respect to any Class and as of any date of determination, the aggregate Outstanding principal balance of such Class on such date of determination after giving effect to all repayments (including upon redemption or acceleration) of principal made by the Issuer with respect to such Class in accordance with the terms of the Repack Trust Indenture on or prior to such date of determination, *provided that* the Note Balance of a Class B Noteholder shall, for the purposes of determining the Note Balance (i) in the definition of "Majority Holders", and (ii) in Article 7 (*Default and Remedies*) of the Repack Trust Indenture, shall be the Outstanding principal balance of Class B Notes held by such Holder *multiplied by* the Class B Notes Principal Ratio, provided further that the Note Balance of a Holder of Class B Notes shall, in respect of any determination that relates to the Class A Notes Collateral, be zero.

"**Note Business Day**" means any day other than a Saturday, Sunday or any other day on which commercial banking institutions in any of the Luxembourg, New York, New York or Quito, the Republic are authorized or required by Law to be closed.

"**Note Closing Date**" has the meaning set forth on the cover page herein.

"**Note Custodian**" means the Indenture Trustee or any other Person appointed as custodian with respect to any Global Note.

"**Note Payment Date**" has the meaning set forth in "*Description of the Notes — Payments and Repack Paying Agents*".

"**Note Payment Schedule**" means, in respect of the Class A Notes and the Class B Notes, the note payment schedule set out in Parts 1, 2 and 3, as applicable, of Schedule 1 (*Note Payment Schedule*) of the Repack Trust Indenture.

"**Note Purchase Agreement**" means the note purchase agreement dated January 16, 2020, between the Issuer, the Class A Notes Placement Agent and the Class B Notes Initial Purchaser, pursuant to which the Issuer shall sell, and the Class A Notes Placement Agent and the Class B Notes Initial Purchaser shall purchase, the Class A Notes and the Class B Notes, respectively.

"**Note Register**" has the meaning specified in Section 2.3 (*Registrar,* Repack *Paying Agent and Transfer Agent*) of the Repack Trust Indenture.

"**Offering Memorandum**" has the meaning set forth on the cover page herein.

"**Officer**" means, as to any Person, the chairman, the vice chairman, the president, the vice president, any manager, the secretary or a director of such Person.

"**Officer's Certificate**" means, with respect to any Person, a certificate signed by at least one duly authorized Officer of such Person.

"**Ongoing Fees and Expenses Schedule**" means the schedule in the Repack Trust Indenture delivered by the Issuer to the Repack Indenture Trustee on the Note Closing Date setting forth all ongoing fees and expenses payable in connection with the Transaction Documents and the transactions contemplated therein.

"**Ongoing Fees Reserve Required Amounts**" has the meaning set forth in "*Description of the Notes - Accounts under the Repack Trust Indenture – Issuer Expenses Account".*

"**Opinion of Counsel**" means a written opinion of internationally recognized counsel who shall be reasonably acceptable to the Repack Indenture Trustee.

"**Outstanding**" means, as of any date of determination, Notes authenticated and delivered under the Repack Trust Indenture, except:

(a) Notes which have been cancelled by the Repack Indenture Trustee or delivered to the Repack Indenture Trustee for cancellation as of such date of determination;

(b) Notes as of such date of determination, or portions thereof, for whose full payment or redemption money in the necessary amount has been deposited with the Repack Indenture Trustee or any Repack Paying Agent (other than the Issuer) in trust or set aside and segregated in trust by the Issuer (if the Issuer is acting as its own Repack Paying Agent) for the Holders of such Notes, *provided* that, if the Notes are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefore satisfactory to the Repack Indenture Trustee has been made; and

(c) Notes which, as of such date of determination, have been surrendered pursuant to the Repack Trust Indenture or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Repack Trust Indenture,

provided that in determining whether the Holders of the requisite principal amount of the Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Issuer or any other obligor upon the Notes or any Affiliate of the Issuer or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Repack Indenture Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which a Trust Officer has been notified in writing to be so owned shall be so disregarded. Notes so owned which have been pledged in good faith will be regarded as Outstanding if the pledgee establishes to the satisfaction of the Repack Indenture Trustee the pledgee's right to give any such request, demand, authorization, direction, notice, consent or waiver with respect to such Notes and that the pledgee is not the Issuer or any other obligor upon the Notes or any Affiliate of the Issuer or of such other obligor.

"**Participant**" means, with respect to any depositary, a Person who has an account with such depositary.

"**Permitted Debt**" means the Debt permitted or to be Incurred by the Issuer under the Repack Trust Indenture in respect of (a) the Notes and (b) to the extent constituting Debt, payment obligations Incurred by the Issuer under the Transaction Documents.

"**Permitted Liens**" means, without duplication, any of the following types of Liens:

(a) Liens specifically required or created by the Security Documents; and

(b) Liens on any Property of the Issuer, other than the Republic Notes, or the Accounts, for Taxes which are either not yet due, are due but payable without penalty or are the subject of a Good Faith Contest.

"**Person**" means any individual, sole proprietorship, corporation, *sociedad anónima*, *sociedade anônima*, partnership, joint venture, limited liability company, company, voluntary association, trust, association, unincorporated organization or other enterprise, institution, Governmental Authority or any other entity.

"**PFIC**" has the meaning set forth in "*Risk Factors—Risks Relating to the Notes—The Notes will be treated by the Issuer and U.S. Holders as equity of the Issuer of U.S. income tax purposes, and the Issuer expects to be treated as a passive foreign investment company*".

"**Placement Agent**" has the meaning set forth on the cover page herein.

"**Plan Assets Regulation**" has the meaning set forth in "*ERISA and Benefit Plan Considerations—Plan Assets*".

"**Plan Fiduciary**" has the meaning set forth in "*ERISA and Benefit Plan Considerations—Representations and Warranties*".

"**Plans**" has the meaning set forth in "*ERISA and Benefit Plan Considerations*".

"**PRIIPs Regulation**" has the meaning set forth on page (ii).

"**Principal Payment**" means, with respect to each Note Payment Date and each Class of Notes, the amount set forth in the applicable Note Payment Schedule under "*Description of the Notes - Principal Payment on the Repack Notes*" for such Note Payment Date and Class of Notes.

"**Property**" of any person means any property, rights or revenues, or interest therein, of such person.

"**PTCE**" has the meaning set forth in "*ERISA and Benefit Plan Considerations—Prohibited Transactions*".

"**QEF**" has the meaning set forth in "*Taxation—U.S. Holders of Notes—Investment in a Passive Foreign Investment Company*".

"**QIB**" has the meaning set forth on the cover page herein.

"**Rating Agencies**" means either of S&P and Fitch.

"**Rating Agency Fee Letters**" means those certain letters executed among Goldman Sachs & Co. LLC and each of Fitch and S&P.

"**Record Date**" means, with respect to any Note Payment Date, the date that is fifteen (15) calendar days preceding such Note Payment Date (whether or not a Business Day).

"**Redemption Date**" means with respect to any early redemption of the Notes pursuant to Article 3 (*Early Redemption*) or Article 7 (*Defaults and Remedies*) of the Repack Trust Indenture, the applicable redemption date determined in accordance with such Sections.

"**Reference Treasury Dealer**" means the "Reference Treasury Dealers" appointed pursuant to the terms and conditions of the Republic Notes or such other dealer(s) selected by the majority of the Holders of the Class A Noteholders.

"**Reference Treasury Dealer Quotation**" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Calculation Agent by such Reference Treasury Dealer at 3:30 p.m., New York time on the third Business Day preceding such redemption date.

"**Registrar**" has the meaning set forth in "*Certain Key Transaction Parties-The Registrar, the Repack Paying Agent, the Transfer Agent, the Collateral Agent, the Calculation Agent and the Securities Intermediary*".

"**Regulation No. 11971**" has the meaning set forth in "*Plan of Distribution—Certain Selling Restrictions—Notice to Prospective Investors in Italy*".

"**Regulation S**" has the meaning set forth on the cover page herein.

"**Regulation S Global Note**" has the meaning set forth in "*Description of the Notes—Form and Dating*".

"**Relevant Jurisdiction**" means any jurisdiction in which the Issuer, the Repack Indenture Trustee or any Repack Paying Agent, or any successor thereto, is organized or resident for Tax purposes, and any political subdivision or taxing authority thereof or therein, and any jurisdiction from which or through which payments are made of are made with respect to the Notes.

"**Relevant Persons**" has the meaning set forth on the cover page herein.

"**Repack Indenture Supplement**" means any supplement to the Repack Trust Indenture entered into between the Issuer and the Repack Indenture Trustee.

"**Repack Indenture Trustee**" means The Bank of New York Mellon in its capacity as "trustee" in respect of the Republic Notes Indenture.

"**Repack Notes** " means the Class A Notes and the Class B Notes.

"**Repack Notes Collateral**" has the meaning set forth in the "*Grant of Security Interest in Repack Notes Collateral*" section of the "*Description of Notes*".

"**Repack Paying Agent** has the meaning set forth in "*Certain Key Transaction Parties-The Registrar, the Repack Paying Agent, the Transfer Agent, the Collateral Agent, the Calculation Agent and the Securities Intermediary"*.

"**Repack Secured Parties**" means, collectively, (a) the Indenture Trustee, (b) the Agents, and (c) the Holders of the Notes.

"**Repack Trust Indenture**" has the meaning set forth in "*Description of the Notes*".

"**Republic**" means the Republic of Ecuador.

"**Republic Notes**" means the U.S.$400,000,000 7.25% Partially Guaranteed Amortizing Social Housing Notes due 2035 issued by the Republic on or about the Note Closing Date.

"**Republic Notes Acceleration Event**" means the acceleration of the Republic Notes due to the occurrence of an "Event of Default" as defined in the terms and conditions of the Republic Notes.

"**Republic Notes Documents**" means, collectively:

(i) the Republic Notes Purchase Agreement;

(ii) the Republic Notes Indenture;

(iii) the Republic Notes;

(iv) the IDB Guarantee; and

(v) the IDB Escrow Agreement.

"**Republic Notes Purchase Agreement**" means the note purchase agreement entered into by the Issuer in respect of the placement and purchase of the Republic Notes dated January 16, 2020.

"**Republic Notes Treasury Rate**" means the "Treasury Rate", as such term is defined in the terms and conditions of the Republic Notes.

"**Republic Notes Voluntary Prepayment Event**" means the exercise by the Republic of its option to redeem the Republic Notes in whole (and not in part only) at a redemption price equal to the Republic Notes Voluntary Prepayment Price.

"**Republic Notes Voluntary Prepayment Price**" means, in respect of a Republic Notes Voluntary Prepayment Event, the amount determined pursuant to the terms and conditions of the Republic Notes as payable by the Republic, which is for the avoidance of doubt an amount equal to the greater of (i) 100% of the principal amount of such Republic Notes and (ii) the sum of the present value of each remaining scheduled payment of principal and interest thereon (without double counting of any interest accrued and paid to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Republic Note Treasury Rate *plus* 50 basis points, plus in each case accrued and unpaid interest to the redemption date on the Republic Notes to be redeemed on such date.

"**Resale Restriction Period**" has the meaning set forth in "*Transfer Restrictions*".

"**Resale Restriction Termination Date**" has the meaning set forth in "*Transfer Restrictions*".

"**Restricted Payment**" means (a) any payment or application of any of the Issuer's assets to purchase, redeem or otherwise retire shares or any other equity interests in the Issuer, (b) any distribution by way of reduction of capital, split-up or division and liquidation or otherwise in respect of any of the shares or equity interests in the Issuer, (c) any other distribution of Property, obligations or securities or on account of any equity interest in the Issuer, (d) any reduction in the capital of the Issuer, or (e) any payment to an Affiliate of the Issuer other than fees payable to the Corporate Services Provider of the Issuer pursuant to the related Corporate Services Agreement.

"**Rule 144A**" has the meaning set forth on the cover page herein.

"**Rule 144A Global Note**" has the meaning set forth in "*Description of the Notes—Form and Dating*".

"**Rule 336**" has the meaning set forth in "*Plan of Distribution—Certain Selling Restrictions—Notice to Prospective Investors in the Republic of Chile*".

"**S&P**" means S&P Global Ratings, acting through Standard & Poor's Financial Services LLC, and its successors (including the surviving entity of any merger with another rating agency).

"**Sanctioned Country**" means a country or territory that is, at the time of the specific conduct at issue, the subject of territory-wide Sanctions Laws and Regulations (including, presently, Cuba, Crimea, Iran, North Korea and Syria).

"**Sanctions Authority**" means, collectively, the United States Department of Treasury Office of Foreign Assets Control, the United Nations Security Council, the European Union, Her Majesty's Treasury and any other Governmental Authority that may administer Sanctions Laws and Regulations.

"**SEC**" means the U.S. Securities and Exchange Commission.

"**Secured Parties**" means the Repack Secured Parties and the Class A Secured Parties".

"**Securities**" means the Debt instruments expected to be issued by the Issuer, which will be secured by, among others, the rights of the Issuer under the Purchase Documents.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**Securities Intermediary**" has the meaning set forth in "*Certain Key Transaction Parties-The Registrar, the Repack Paying Agent, the Transfer Agent, the Collateral Agent, the Calculation Agent and the Securities Intermediary*".

"**Securities Offering**" means any offering of Securities under Rule 144A and/or Regulation S of the Securities Act.

"**Security Documents**" means collectively:

(a) the Repack Trust Indenture; and

(b) any other agreement, document, registration or filing that creates or perfects any Lien, charge or security interest in favor of the Indenture Trustee (either acting for itself or on behalf of the Holders) or the Collateral Agent (either acting for itself or on behalf of the Holders).

"**Shares**" has the meaning set forth in "*Certain Key Transaction Parties—The Issuer*".

"**Similar Law**" has the meaning set forth in "*ERISA and Benefit Plan Considerations—Similar Plans*".

"**Similar Plans**" has the meaning set forth in "*ERISA and Benefit Plan Considerations—Similar Plans*".

"**Social Notes Structuring Agent**" means Goldman Sachs & Co. LLC, acting in its capacity as sole social notes structuring agent in respect of the Repack Notes.

"**Sole Bookrunner**" means Goldman Sachs & Co. LLC, acting in its capacity as sole bookrunner in respect of the Repack Notes.

"**Special U.S. Tax Counsel**" has the meaning set forth in "*Taxation—Tax Treatment of the Issuer*".

"**SVS**" has the meaning set forth in "*Plan of Distribution—Certain Selling Restrictions—Notice to Prospective Investors in the Republic of Chile*".

"**Taxes**" means any present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees, liabilities or other charges (and any interest, addition to tax or penalties imposed with respect thereto), imposed by or on behalf of any Governmental Authority including, without limitation, any value added tax or stamp tax or any other charges of whatever nature.

"**Transaction Documents**" means, collectively, the Finance Documents and the Republic Notes Documents.

"**Transaction Parties**" has the meaning set forth in "*ERISA and Benefit Plan Considerations—Representations and Warranties*".

"**Transactions**" means the transactions contemplated under the Finance Documents.

"**Transfer Agent**" has the meaning specified in "*Certain Key Transaction Parties-The Registrar, the Repack Paying Agent, the Transfer Agent, the Collateral Agent, the Calculation Agent and the Securities Intermediary".*

"**Treasury**" has the meaning set forth in "*Taxation—U.S. Holders of Notes—Investment in a Passive Foreign Investment Company*".

"**Trust Officer**" means any officer within the corporate trust department of the Repack Indenture Trustee or any other officer of the Repack Indenture Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, with direct responsibility for the administration of the Repack Trust Indenture or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject.

"**UCC**" means the Uniform Commercial Code as in effect from time to time in any Relevant Jurisdiction in the United States.

"**Underlying Assets**" has the meaning set forth in "*The Offering*".

"**U.S. Dollars**," "**Dollars**," "**U.S.$**" or "**$**" has the meaning set forth in "*Presentation of Financial Information*".

"**U.S. Holder**" has the meaning set forth in "*Taxation—Certain U.S. Federal Income Tax Consequences*".

"**U.S. Shareholder**" has the meaning set forth in "*Taxation—U.S. Holders of Notes—Investment in a Controlled Foreign Corporation*".

ANNEX B
INFORMATION RELATING TO THE REPUBLIC NOTES, THE IDB AND THE REPUBLIC

OFFERING CIRCULAR

The Republic of Ecuador

U.S.$400,000,000 7.25% Social Housing Notes due 2035

partially guaranteed by

The Inter-American Development Bank

The Republic of Ecuador (the "Republic" or "Ecuador" or the "Issuer") is offering U.S.$400,000,000 aggregate principal amount of 7.25% partially guaranteed amortizing Social Housing Notes due 2035 (the "Notes"). Interest on the Notes will be payable semi-annually in arrear on January 30 and July 30 of each year, commencing on July 30, 2020. The Notes will be general, direct, unsecured, unsubordinated and unconditional obligations of the Republic, will be backed by the full faith and credit of the Republic and will rank equally in terms of priority with the Republic's External Indebtedness (other than the Excluded Indebtedness), as defined in "Description of the Notes," provided that such ranking is in terms of priority only and does not require that the Republic make ratable payments on the Notes with payments made on its other External Indebtedness.

The Notes will contain provisions, commonly known as "collective action clauses," regarding acceleration of the Notes and voting on future amendments, modifications and waivers to the terms and conditions of the Notes. These provisions, which are described in the sections entitled "*Description of the Notes—Events of Default*" and "Description of the Notes—Modifications–Collective Action," differ from those applicable to certain of the Republic's outstanding External Indebtedness (as defined herein). Under those provisions, the Republic may: (a) amend the payment provisions of each Series of Notes and certain other reserved matters with the consent of the holders of 75% of the aggregate amount of the outstanding Series of Notes and other non-reserved matters with the consent of the holders of 66⅔% of the aggregate amount of the outstanding Series of Notes; (b) make reserved matter modifications affecting two or more series of debt securities with the consent of (x) holders of at least 66⅔% of the aggregate principal amount of the outstanding debt securities of all series that would be affected by that reserved matter modification (taken in aggregate) and (y) holders of more than 50% of the aggregate principal amount of the outstanding debt securities of each affected series (taken individually); or (c) make reserved matter modifications affecting two or more series of debt securities with the consent of holders of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series (taken in aggregate), *provided* that the Uniformly Applicable condition is satisfied, as more fully described in "Description of the Notes—Modifications—Collective Action."

The Inter-American Development Bank (the "IDB" or the "Guarantor") will, pursuant to a guarantee agreement dated on the Issue Date (in the form attached as Annex A, the "Guarantee Agreement") irrevocably guarantee the payment of scheduled interest and principal payment amounts due under the Notes on each scheduled payment date therefor, without regard to any acceleration under the Notes, to the extent that the aggregate of any such payment amounts remains unpaid by the Republic on such date (the "Guarantee"); *provided* that the maximum amount payable by the Guarantor under the Guarantee in respect of all scheduled interest and/or principal amounts and all indemnity obligations due in respect of each outstanding Note shall not exceed the lower of (a) U.S.$300 million, as reduced by any disbursements made under the Guarantee, and (b) the "Maximum Guaranteed Notes Amount" which shall be, as of any date of determination, the sum set forth in Schedule I to the Guarantee, provided that following the Guarantor's exercise of the IDB Right to Purchase (as defined and pursuant to the terms of the Guarantee), the Maximum Guaranteed Amount (as defined in the Guarantee) shall equal U.S.$0. The Guarantee will not be accelerated except as provided for in the Guarantee Agreement in the event of a Guarantor Event of Default (as defined in the Guarantee). The Notes are only an obligation of the Republic and the Guarantee is only an obligation of the IDB and not of any government. Unless otherwise terminated in accordance with the terms of the Guarantee Agreement, the Guarantee shall remain in effect until the Termination Date. See "*Annex A—The Guarantee Agreement,*" "*Description of the Notes,*" "*Guarantee Agreement,*" "*The Inter-American Development Bank,*" and "*General Information.* "

Except as described herein, payments on the Notes will be made without deduction for or on account of withholding taxes imposed by the Republic. There is currently no public market for the Notes. Application has been 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. This Offering Circular has been approved as a prospectus issued in compliance with Part 2 of the rules and regulations of the Luxembourg Stock Exchange by the Luxembourg Stock Exchange in its capacity as competent authority under Part IV of the Luxembourg law of July 16, 2019 on prospectuses for securities (the "Prospectus Law") for the purposes of giving information with regard to the issue of the Notes. Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the official list of the Luxembourg Stock Exchange (the "Official List") and for such Notes to be admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange (the "Euro MTF Market"). References in this Offering Circular to Notes being "listed" on the Luxembourg Stock Exchange (and all related references) shall mean that such Notes have been admitted to listing on the Official List and have been admitted to trading on the Euro MTF Market. The Euro MTF Market is not a regulated market for the purposes of the Directive 2014/65/EU on markets in financial instruments. The Notes are and will be issued in registered form and, in limited circumstances, definitive form in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

See "*Risk Factors*" beginning on page 36 regarding certain risk factors investors should consider before investing in the Notes.

Notes Price: 100.000%

plus accrued interest, if any, from January 30, 2020.

Delivery of the Notes will be made on or about January 30, 2020.

Neither the Notes nor the Guarantee has been nor will be registered under the Securities Act of 1933, as amended (the "Securities Act"). The Notes may not be 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 offered and sold to certain persons in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S"). Investors 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 will be represented by one or more permanent global notes in fully registered form without interest coupons, deposited with a common depositary for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"). Beneficial interests of Euroclear participants in the global notes will be shown on, and transfers thereof between Euroclear participants will be effected only through, records maintained by Euroclear and its direct and indirect participants, including Clearstream Banking, *société anonyme*. See "*Book-Entry Settlement and Clearance*."

The date of this Offering Circular is January 16, 2020.


ECUADOR
GALAPAGOS ISLANDS
(Archipiélago de Colón)
0 50 100 Kilometers
0 50 100 Miles
I. Darwin
I. Wolf
I. Pinta
I. Marchena
I. Genovesa
Equator
PACIFIC
OCEAN
I. San Salvador
I. Santa Cruz
I. Fernandina
Puerto Villamil
Puerto Ayora
Puerto Baquerizo Moreno
I. San Cristóbal
Isla Isabela
I. Santa María
I. Española
92
91
90
89
COLOMBIA
PERU
PACIFIC
OCEAN
Equator
Popayán
Altamira
Tumaco
Barbacoas
Pitalito
Florencia
Valdez
La Tola
San Lorenzo
Pasto
Mocoa
Esmeraldas
Tulcán
Ipiales
Orito
Tres Esquinas
Puerto Asís
Puerto Colón
San Miguel
Muisne
Rosa Zárate
Cojimíes
Pedernales
Otavalo
Ibarra
Cayambe
Nueva Loja
Puerto El Carmen de Putumayo
QUITO
Shushufindi
El Carmen
Santo Domingo de los Colorados
Sangolquí
Machachi
Baeza
Puerto Francisco de Orellana
Bahía de Caráquez
Tosagua
Chone
Manta
Latacunga
Tena
Nuevo Rocafuerte
Pantoja
Montecristi
Portoviejo
Velasco Ibarra
Quevedo
Ambato
Jipijapa
Balzar
Isla de La Plata
Vinces
Ventanas
Baños
Puyo
Cononaco
Tarqui
Bocana
Guaranda
Riobamba
Babahoyo
Guamote
Milagro
Guayaquil
Bucay
Montalvo
Río Tigre
Salinas
Santa Elena
La Libertad
Durán
Alausí
Macas
Sucúa
Marsella
Playas
Posorja
Isla Puná
Naranjal
Azogues
Cuenca
General Leonidas Plaza Gutiérrez
Andoas
Golfo de Guayaquil
Isla Santa Clara
Machala
Puerto Bolívar
Pasaje
Subteniente Castro
Huaquillas
Tumbes
Zorritos
Guafaquiza
Pavayacu
Saraguro
Catamayo
Catacocha
Loja
Zamora
Macará
Borja
Talara
Suyo
Zumba
Sullana
Paita
Piura
Huancabamba
San Ignacio
Pan-American Highway
Río Napo
Río Pastaza
Río Tigre
Río Santiago
Río Morona
Río Marañón
International boundary
Road
Railroad (some segments of the rail network may be inoperable)
National capital
Major airport
Major port
0 50 100 Kilometers
0 50 100 Miles
Scale 1:4,500,000

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

Investors should rely only on the information contained in this Offering Circular or to which the Republic of Ecuador has referred investors. This Offering Circular supersedes any other materials dated prior to the date hereof. Ecuador has not, and the Sole Global Coordinator, Bookrunner and Social Bond Structuring Agent has not, authorized anyone to provide information that is different from the information contained in this Offering Circular. This Offering Circular may only be used where it is legal to sell these Notes. The information in this Offering Circular may only be accurate on the date of this Offering Circular.

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

TABLE OF CONTENTS

Page

The Notes will be general, direct, unsecured, unsubordinated and unconditional obligations of Ecuador, will be backed by the full faith and credit of Ecuador and will rank equally in terms of priority with Ecuador's External Indebtedness (other than the Excluded Indebtedness), as defined in "Description of the Notes", *provided* that such ranking is in terms of priority only and does not require that Ecuador make ratable payments on the Notes with payments made on its other External Indebtedness.

The Notes will be issued in registered form only. The Notes sold in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S") will be represented by one or more permanent global notes in fully registered form without interest coupons (the "Regulation S Global Note") and the Notes sold in the United States to qualified institutional buyers (each a "qualified institutional buyer") as defined in, and in reliance on, Rule 144A under the Securities Act ("Rule 144A") will be represented by one or more permanent global notes in fully registered form without interest coupons (the "Restricted Global Note" and, together with the Regulation S Global Note, the "Global Notes"), in each case deposited with and registered in the nominee name of a common depositary for Euroclear for the respective accounts at Euroclear as such subscribers may direct. Beneficial interests of Euroclear participants (as defined under "*Book-Entry Settlement and Clearance*") in the Global Notes will be shown on, and transfers thereof between Euroclear participants will be effected only through, records maintained by Euroclear and its direct and indirect participants, including Clearstream. See "*Book-Entry Settlement and Clearance*." Except as described herein, definitive Notes will not be issued in exchange for beneficial interests in the Global Notes. See "*Description of the Notes—Definitive Notes*." For restrictions on transfer applicable to the Notes, see "*Transfer Restrictions.*"

The Republic has taken reasonable care to ensure that the information contained in this Offering Circular, other than the information relating to the IDB and to the Guarantee in "*The Inter-American Development Bank*" and "*The Guarantee Agreement,*" below, is true and correct in all material respects and not misleading as of the date hereof, and that, to the best of the knowledge and belief of the Republic, there has been no omission of information which, in the context of the issue of the Notes, would make this Offering Circular as a whole or any information included in this Offering Circular, misleading in any material respect. The Republic accepts responsibility accordingly.

However, the IDB accepts responsibility for the information contained or referred to in this Offering Circular relating to the IDB and to the Guarantee in "*The Inter-American Development Bank*" and "*The Guarantee Agreement,*" below. The IDB has taken reasonable care to ensure that the information contained in this Offering Circular relating to the IDB and to the Guarantee is true and correct in all material respects and not misleading as of the date hereof, and that, to the best of the knowledge and belief of the IDB, there has been no omission of such information which, in the context of the issue of the Notes, would make this Offering Circular as a whole or any such information included in this Offering Circular, misleading in any material respect. The IDB has made no investigation concerning any other information contained in this Offering Circular and makes no representations, warranties or assurances of any nature as to the accuracy, completeness or sufficiency of that information and assumes no responsibility with respect to that information.

This Offering Circular does not constitute an offer by, or an invitation by or on behalf of, the Republic or Goldman Sachs & Co. LLC as sole global coordinator, bookrunner and social bond structuring agent in respect of the placement of the Notes (the "Sole Global Coordinator, Bookrunner and Social Bond Structuring Agent") to subscribe to or purchase any of the Notes. Each recipient shall be deemed to have made its own investigation and appraisal of the financial condition of the Republic. The distribution of this Offering Circular or any part of it and the offering, possession, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Republic and the Sole Global Coordinator, Bookrunner and Social Bond Structuring Agent to inform themselves about and to observe any such restrictions. See "*Transfer Restrictions*" for a description of further restrictions on the offer, sale and delivery of Notes, the distribution of this Offering Circular, and other offering material relating to the Notes.

Each person acquiring a Regulation S Global Note will be deemed to have represented that it is not acquiring Notes with a view to distribution thereof in the United States.

Each person acquiring a Restricted Global Note will be deemed to:

- represent that it is acquiring the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it or such account is a qualified institutional buyer (as defined in Rule 144A); and

- acknowledge that the Notes have not been and will not be registered under the Securities Act or any State securities laws and may not be reoffered, resold, pledged or otherwise transferred except as described under "*Transfer Restrictions.*"

Each person acquiring a Restricted Global Note also acknowledges that:

- it has been afforded an opportunity to request from the Republic and to review, and it has received, all additional information considered by it to be necessary to verify the accuracy of the information herein and acknowledges that this Offering Circular supersedes any other information or presentation regarding the Republic;

- it has not relied on the Sole Global Coordinator, Bookrunner and Social Bond Structuring Agent, or any person affiliated with the Sole Global Coordinator, Bookrunner and Social Bond Structuring Agent in connection with its investigation of the accuracy of the information contained in this Offering Circular or its investment decision;

- no person has been authorized to give any information or to make any representation concerning the Republic or the Notes other than those contained in this Offering Circular and, if given or made, such information or representation should not be relied upon as having been authorized by the Republic or the Sole Global Coordinator, Bookrunner and Social Bond Structuring Agent; and

- 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") or the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (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; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the United Kingdom may be unlawful under the PRIIPS Regulation.

IN CONNECTION WITH THIS ISSUANCE OF NOTES, THE SOLE GLOBAL COORDINATOR, BOOKRUNNER AND SOCIAL BOND STRUCTURING AGENT MAY, ITSELF OR THROUGH ITS AFFILIATES, OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL IN THE OPEN MARKET, TO THE EXTENT PERMITTED BY APPLICABLE LAWS. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

PRESENTATION OF INFORMATION

Unless otherwise specified or the context requires, references to "U.S. dollars," "$" and "U.S.$" are to United States dollars.

References to the "Republic" and "Ecuador" are to the Republic of Ecuador, references to the "Government" are to the Government of the Republic of Ecuador and the use of the term "Governmental" shall be with regards to the Government of the Republic of Ecuador.

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

References to laws that are "published" are to laws that have been approved by the *Asamblea Nacional* (the "National Assembly"), a single chamber national assembly elected through direct popular vote for a four-year period, and confirmed by the President.

Certain figures included in this Offering Circular have been rounded for ease of presentation. Percentage figures included in this Offering Circular have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding.

Certain economic and financial data in this Offering Circular is derived from information previously published by *Banco Central del Ecuador* (the "Central Bank") and other Governmental entities of Ecuador. This data is subject to correction and change in subsequent publications.

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 that are inherently subject to significant uncertainties, many of which are beyond the control of the Republic. Future events may differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements include information contained in the sections "Summary," "The Republic of Ecuador," "The Ecuadorian Economy," "Balance of Payments and Foreign Trade," "Monetary System," "Public Sector Finances" and "Public Debt" as well as:

External factors, such as:

- lower petroleum and mineral prices, which could adversely affect Ecuador's economy, fiscal accounts and International Reserves;
- damage to and volatility in the international capital markets for emerging markets issuers caused by economic conditions in other emerging markets or changes in policy of Ecuador's trading partners and the international capital markets generally, which could affect Ecuador's ability to engage in planned borrowing;
- changes in import tariffs and exchange rates of other countries, which could harm Ecuador's exports and, as a consequence, have a negative impact on the growth of Ecuador's economy;

- recession or low growth in the economies of Ecuador's trading partners, particularly of the United States and the European Union, which could lead to fewer exports and affect Ecuador's growth;

- a deterioration in relations between Ecuador and other countries in the region or other disruptions to Ecuador's international relations;

- changes in the credit rating of the Republic;

- the impact of changes in the international price of commodities and, in particular, oil;

- higher international interest rates, which could increase Ecuador's debt service requirements and require a shift in budgetary expenditures toward additional debt service; and

- terrorist attacks in the United States or elsewhere, acts of war, or any general slowdown in the global economy.

Internal factors, such as:

- social and political unrest in Ecuador;

- Ecuador's ability to continue to attract foreign investment;

- continued public support for Ecuador's current economic policies;

- Ecuador's level of domestic debt;

- general economic and business conditions in Ecuador; and

- other factors identified or discussed under "*Risk Factors*."

In addition, in those and other portions of this 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.

Undue reliance should not be placed on forward-looking statements, which are based on current expectations. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in forward-looking statements. Many of the factors that will determine these results and values are beyond the Republic's ability to control or predict. Because of the risks and uncertainties involved, an investment decision based on the estimates and forward-looking statements should not be made. All forward-looking statements and risk factors included in this Offering Circular are made as of the date on the front cover of this Offering Circular, based on information available to the Republic as of such date, and Ecuador assumes no obligation to update any forward-looking statement or risk factor.

ARBITRATION AND ENFORCEABILITY

The Republic of Ecuador

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

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

(i) There will be three arbitrators.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) funds managed in the national Treasury Account;

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

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

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

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

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

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

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

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

> *Any Dispute between the Trustee and any holders or holders only and where the Republic is not a party, claimant, respondent or otherwise is necessary thereto, shall be subject to the non-exclusive jurisdiction of any New York state or United States federal court sitting in the Borough of Manhattan, the City of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to the Indenture (except actions or proceedings arising under or in connection with U.S. federal and state securities laws), and the Trustee and the holders hereby irrevocably submit to such jurisdiction and agree that all claims in respect of such Dispute may be heard and determined in such New York state or United States federal court*.

The Indenture contains also a provision which provides that in relation to any Dispute under the Indenture involving the IDB, the provisions of Sections 3.02(b), (c), (d) & (e), 3.04, 3.05 and 3.06 of the Guarantee Agreement will apply, *mutatis mutandis*, as if set out therein. See "*Annex A—The Guarantee Agreement*".

The Inter-American Development Bank

The Guarantor is an international institution established by the Agreement Establishing the Inter-American Development Bank which became effective on December 30, 1959 (the "IDB Agreement"). As an international organization, the Guarantor is not incorporated under the laws of any state. The IDB Agreement provides that the Guarantor shall possess juridical personality and full capacity to enter into contracts, acquire and dispose of property and to institute legal proceedings. The IDB Agreement further provides that actions may be brought against the Guarantor only in a court of competent jurisdiction in the territories of a member in which the Guarantor has an office, has appointed an agent for the purpose of accepting service or notice of process or has issued or guaranteed securities.

The Guarantor has not consented to the jurisdiction of any court in connection with actions arising out of, relating to or having any connection with the Guarantee and has submitted itself to arbitration under the LCIA Rules. The Guarantor has agreed to the following arbitration provisions (which shall be governed by English law) as part of the terms and conditions of the Guarantee Agreement:

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

(a) There will be three arbitrators.

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

(c) Within 30 days after the filing of the arbitration, the Paying Agent and the Trustee shall jointly appoint one arbitrator and the Guarantor shall appoint one arbitrator. If any such party or multiple

parties fail to nominate an arbitrator within thirty (30) days from and including the date of receipt of the relevant request for arbitration, an arbitrator shall be appointed on their behalf by the LCIA Court in accordance with the LCIA Rules and applying the criteria at subparagraph (ii) above. In such circumstances, any existing nomination or confirmation of the arbitrator chosen by the party or parties on the other side of the proposed arbitration shall be unaffected, and the remaining arbitrator(s) shall be appointed in accordance with the LCIA Rules.

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

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

(f) The language to be used in the arbitration will be English. The arbitration provisions contained in the Guarantee will be governed by English law.

The Guarantor enjoys certain privileges and immunities under the IDB Agreement and has not waived any of its immunities under the Guarantee Agreement. Some of these immunities include certain immunities with respect to the Guarantor's property and assets, its governors, executive directors, alternates, officers and employees and tax immunities with respect to securities issued or guaranteed by the Guarantor. For further information on the Guarantor's privileges and immunities see "*The Inter-American Development Bank*".

EXCHANGE RATE INFORMATION

In January of 2000, following several weeks of severe exchange-rate depreciation of the sucre, the Republic announced that it would dollarize the economy. On March 1, 2000, the Ecuadorian Congress approved the *Ley para la Transformación Económica del Ecuador* ("Ecuadorian Economic Transformation Law", or the "Dollarization Program"), which made the U.S. dollar the legal tender in Ecuador. The Ecuadorian Economic Transformation Law provided for the Central Bank to exchange, on demand, sucres at a rate of 25,000 sucres per U.S.$1.00. In addition to providing an official basis to dollarize the economy, the law contained reforms aimed at strengthening fiscal stability, improving banking supervision and establishing rules to encourage direct investment. Since the passage of the Ecuadorian Economic Transformation Law, the U.S. dollar has been the legal tender in Ecuador. Due to the Dollarization Program, the ability of the Republic, and/or the Central Bank to adjust monetary policy and interest rates in order to influence macroeconomic trends in the economy is limited.

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 Ecuador

Ecuador is one of the smallest countries in South America, covering an area of approximately 99,054 square miles (256,549 square kilometers). Located on the north-western coast of the continent, it shares a 950-mile border with Peru to the south and the east, a 373-mile border with Colombia to the north, and a 1,452-mile coastline to the Pacific Ocean to the west. The country encompasses a wide range of geographic areas and climates, including the Pacific coastal plains, the Sierra (consisting of the Andean highland region), the Oriente (characterized by the Amazonian tropical rain forest) and the Galapagos Islands region located in the Pacific Ocean approximately 600 miles from the coast.

Recent Measures by President Moreno

On February 19, 2017, a presidential election (the "2017 Election") was held with eight candidates to replace former President Rafael Correa who served for 10 years. Lenín Moreno of former President Correa's Alianza PAIS party came in first and Guillermo Lasso of the CREO-SUMA party, came in second. A congressional election was also held on February 19, 2017 with Alianza PAIS preserving control of the legislative assembly by winning the majority of seats with 74 seats. CREO-SUMA won 28 seats and PSC won 15 seats. A run-off election between President Moreno and Mr. Lasso was held on April 2, 2017. President Moreno won with 51.16% of the vote. Both the Organization of American States ("OAS") and the Union of South American Nations ("UNASUR") monitored the elections and recognized the transparency of the electoral process and the election results. President Moreno assumed the presidency of Ecuador on May 24, 2017 with Jorge Glas as vice president for a four-year term.

President Moreno has stated, in light of Ecuador's economic climate, that Ecuador's priority is to push for economic and social development through generating employment, equality and social justice, eradicating extreme poverty and reducing inequality while maintaining dollarization. Since taking office, President Moreno has announced and implemented a series of measures geared towards austerity principles, the fight against corruption and the reactivation of the economy.

On April 2, 2018, President Moreno presented an economic plan to (i) stabilize Ecuador's fiscal profile, (ii) restructure and reduce the size of the Government and enact institutional austerity measures, (iii) increase exports and sustain dollarization, and (iv) stimulate the economy through measures strengthening the private sector. This plan includes, among other measures, the merging of certain Ministries.

On August 21, 2018, President Moreno announced a series of austerity measures as part of the new Plan of Prosperity, the main purpose of which is to reduce government spending by U.S.$1.3 billion annually and increase revenue generation, in order to reach primary fiscal balance and a global fiscal balance below 1% by 2021. The Plan of Prosperity focuses on (i) fiscal responsibility and public sector, (ii) support for low-income Ecuadorians, and (iii) Central Bank reform. Under the fiscal responsibility and public sector prong, the Plan of Prosperity seeks to (a) reduce the number of government agencies through mergers and closures, (b) reduce government spending on transportation and security of senior officials, (c) reduce public procurement to a minimum, with increased transparency and control, (d) implement, together with the assistance of the Corporación Andina de Fomento ("CAF") and the IDB, a corporate reform with respect to state-owned companies including privatizations, mergers and liquidations, as well as internal changes in public-sector companies to align salaries to those of private sector employees, (e) update the country's legal and institutional framework for public-private partnerships to include major infrastructure projects, (f) continue to enhance Ecuador's credibility in the international capital and financial markets, as well as increase access to funding sources and improve the country's debt profile, (g) maintain the current oil output target of 700,000 bpd and further invest in the mining sector, and (h) continue to analyze the allocation of fuel subsidies.

With a portion of the savings derived from the measures discussed above, President Moreno aims to expand social services to over 103,000 families in need of financial support, and has also designed a U.S.$1.3 billion credit plan to provide funding for small enterprises such as crafts, small industries, agriculture and construction.

The third prong of the Plan of Prosperity relates to the reform and strengthening of the Central Bank in order to create a reliable and robust monetary authority, with sufficient assets to provide liquidity for economic growth. This reform will include a plan for the full repayment of government debts owed to the Central Bank within the five years following its implementation, as well as an exchange, for domestic bonds, of certain illiquid shares in public-sector banks that were previously transferred to the Central Bank in lieu of repayment.

On August 23, 2018, the *Consejo de Participación Ciudadana y Control Social Transitorio* (the "Transitional Citizen Participation and Social Control Council") resolved to prematurely end the tenure of all justices of the Constitutional Court based on alleged irregularities in their appointment and lack of judicial independence and impartiality, and declared a 60-day recess period from the day of approval of the rules that would be followed to appoint the new members of the Court. The Transitional Citizen Participation and Social Control Council finished conducting public evaluations and examinations on 23 candidates in January 2019, of which the nine candidates with the highest scores were appointed to the Court on February 5, 2019. Members of the Constitutional Court are appointed for a nine-year period.

As part of the Government's plan to restructure and reduce the size of the Government and enact institutional austerity measures:

- As of the date of this Offering Circular, President Moreno has decreed and completed the elimination of 19 entities including ministries and secretariats, the merger of ten such entities and the creation of five new ones;

- President Moreno decreed the reduction by 10% and 5% of the salaries of high and mid-level government officials, respectively;

- On February 6, 2019, *Empresa Coordinadora de Empresas Públicas* ("Public Companies Coordinator Company") requested from the country's public companies a plan to gradually reduce their payrolls by 10%, amounting to approximately 3,000 to 3,500 layoffs and approximately U.S.$60 million in annual savings; and

- Between December 2018 and February 2019, the Government laid off 11,820 employees in the public sector, of which 8,916 belonged to the executive branch, 207 to the judicial branch, 556 to the legislative branch, and the rest to other public entities. Most of these layoffs consisted of employees under temporary or occasional—related to a particular need of the employer not in the ordinary course of business—employment contracts.

On December 21, 2018, President Moreno issued decree No. 619 ("Decree 619") eliminating the subsidy on certain types of gasoline and diesel, consequently increasing their prices for consumers. On January 7, 2019, following negotiations with representatives of the transportation sector, and in order to prevent a surge in general consumer prices, the Government agreed to keep in place the subsidy on automotive diesel. On January 12, 2019, the Government agreed with the shrimp industry to establish a compensation system for shrimp producers to minimize the effects of decree No. 619 on the shrimp sector.

On October 1, 2019, President Moreno issued decree No. 883 ("Decree 883") expanding the scope of the liberalization of prices for hydrocarbons by eliminating the subsidy on certain types of gasoline and diesel and thereby increasing the prices for these fuels. Following the elimination of the subsidies, prices for gasoline type "extra" and diesel for the automotive sector began to be set on a monthly basis by Petroecuador based on average prices and costs.

On October 3, 2019, various groups organized protests relating to the elimination of the subsidies and increase in prices. On October 14, 2019, President Moreno issued decree No. 894 ("Decree 894") terminating

Decree 883, reversing the elimination of the subsidies and ordering the creation of a new policy on subsidies for hydrocarbons. Decree 894 did not set a deadline to implement this new policy. By reversing the elimination of the subsidies, Decree 894 returned the price of gasoline and diesel to the prices existing on October 1, 2019. Decree 894 commits the Government to design a more targeted subsidy policy through a new decree.

From October 7 through October 13, 2019, protesters relating to the elimination of subsidies occupied certain fields and disrupted oil productions by among other things, blocking roads allowing for the transportation of crude oil, causing the Government to suspend oil production in 20 oil fields located in the provinces of Orellana, Sucumbíos and Napo, resulting in approximately U.S.$136.86 million in losses. As part of the Government's efforts to normalize production after the unrest, the new oil fields were opened for production in October 2019. As a result, by October 31, 2019, block 43, which includes the 139 ITT fields of Ishipingo, Tipituni and Tambococha, reached 86,618 bpd in oil production, the largest oil operation in Ecuador. As of the date of this offering circular, oil production has normalized. For more on oil production, see "*The Ecuadorian Economy—Strategic Sectors of the Economy—Oil Sector—Production*."

On October 18, 2019, President Moreno presented before the National Assembly the draft *Ley Orgánica para la Transparencia Fiscal, Optimización del Gasto Tributario, Fomento a la Creación de Empleo, Afianzamiento de los Sistemas Monetario y Financiero, y Manejo Responsable de las Finanzas Públicas* (the "Organic Law for the Fiscal Transparency, Optimization of the Tax Expenditure, Job Creation Promotion, Consolidation of the Monetary and Financial System and Responsible Management of the Public Finance" or "Law on Economic Development"), aimed at reforming several of the Republic's tax and financial laws. Specifically, the Law on Economic Development's objective was to, on the one hand, increase revenue by U.S.$450 million by progressively taxing corporations and individuals with higher yearly income, and imposing new taxes such as a tax on plastic bags and e-cigarettes; and in addition introducing a number of measures to create (a) a more efficient tax system for taxpayers and (b) reforming certain aspects of Ecuador's financial laws and regulations to, among other objectives, (i) enhance fiscal sustainability establishing stricter budget controls and (ii) strengthen dollarization by enhancing the Central Bank's autonomy. After the protests held in October 2019, President Moreno modified the proposed draft Law on Economic Development to remove the elimination of gas subsidies as part of the draft law, see "*The Republic of Ecuador—Recent Measures by President Moreno*."

On November 17, 2019, the National Assembly voted to reject the draft Law on Economic Development. In response, on November 21, 2019, President Moreno presented the draft *Ley Orgánica de Simplicidad y Progresividad Tributaria* ("Organic Law on Tax Simplification"), replacing the draft Law on Economic Development with respect to certain aspects of the intended tax reform. The Organic Law on Tax Simplification was first approved by the National Assembly on December 9, 2019, and after a Presidential partial veto, it was finally approved on December 30, 2019, and became effective on December 31, 2019. The Organic Law on Tax Simplification eliminates income tax advances, VAT and Special Consumption Tax ("ICE") on certain products and services (e.g. certain web services, and electric and public vehicles), provides for 100% debt relief of interest and charges on certain student loans, a progressive taxing calendar for corporations and individuals with higher yearly income, and imposes new special taxes on supermarket plastic bags, certain mobile services and certain beers, among other tax reforms targeting certain micro-entrepreneurs, immigrants, exporters, agricultural manufactures, and others.

On December 21, 2019, President Moreno announced that a new proposed policy is being reviewed with emphasis being put on strategies to eradicate the contraband of subsidized products and on determining which sectors and groups to focus the new subsidies policy on and is expected to be implemented between the months of February and April 2020, see "*The Republic of Ecuador—Recent measures by President Moreno*."

The Government indicated in its updated Memorandum of Economic and Financial Policies (the "Updated Memorandum of Economic and Financial Policies") presented to the IMF on December 11, 2019 (for more information on the Updated Memorandum of Economic and Financial Policies, see "*Public Debt—IMF's Extended Fund Facility*."), that it is currently studying a new draft law modifying certain aspects of the banking and monetary reforms intended under the draft Law on Economic Development. Presentation to the National Assembly of amendments to the Public Planning and Finance Code are expected by the end of February 2020, and presentation of amendments to the Organic Monetary and Financial Law, after consultation with various stakeholders and building consensus, are expected by April 2020, see "*Public Debt—IMF's Extended Fund Facility*."

Organic Law for Productive Development

On June 21, 2018, the National Assembly approved the *Ley Orgánica para el Fomento Productivo, Atracción de Inversiones, Generación de Empleo, y Estabilidad y Equilibrio Fiscal* (the "Organic Law for Productive Development, Investment, Employment and Fiscal Stability", or the "Organic Law for Productive Development") and, after a Presidential partial veto, it became effective on August 21, 2018. Among its provisions, the law provides tax incentives for small and medium sized companies and to promote new investments in the country, and creates the option for investors to agree to settle disputes with the Republic through national or international arbitration under the UNCITRAL Arbitration Rules (the "UNCITRAL Rules") before the Permanent Court of Arbitration, under the rules of the International Chamber of Commerce in Paris, or under the rules of Inter American Commercial Arbitration Commission at the choice of the investor, and amends the Civil Procedure Code so that an international arbitration award will be enforced without a prior homologation process (*exequátur*). As a result, international arbitral awards will be directly enforceable as is the case with domestic awards.

The Organic Law for Productive Development reforms Article 123 of the Public Planning and Finance Code by expressly confirming that a *pasivo contingente* ("contingent liability") may originate from the activities listed below, and that it will be excluded from the calculation of public debt for the period for which it remains contingent. A contingent liability will only be considered public debt, and included in the calculation of total public debt to GDP ratio, in such amount and to the extent the obligation become due and payable. A contingent liability may originate when:

- the Central Government issues sovereign guarantees for the benefit of public sector entities that enter into public debt, together with all provisions made for their payment;
- notes linked to duly documented payment obligations are issued;
- guarantee agreements to secure the proper use of non-reimbursable contributions received by any applicable entity are entered into; and
- the public sector incurs contingent liabilities in accordance with applicable law, or other liabilities are incurred within the context of agreements with international credit agencies.

In addition, the Organic Law for Productive Development provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply. The law also provides for the implementation of a fiscal stability plan by the Ministry of Economy and Finance for the period from 2018 to 2021. The law sets forth that in each subsequent fiscal year after 2021, the General State Budget must be presented with a fiscal program aimed at reducing in the long term the amount of total public debt relative to GDP, until it reaches a level below the 40% debt to GDP ratio, as further described in "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability*." On October 15, 2018, President Moreno enacted decree No. 537 ("Decree 537") repealing Decree 1218 in its entirety, which became effective on October 30, 2018, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*."

On November 19, 2018, the Ministry of Economy and Finance issued the *Reglamento para la Implementación de la Metodología de Cálculo para la Relación entre el Saldo de la Deuda Pública Total y el PIB* ("Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology") setting out the definitions and methodology for calculating and divulging the country's public debt to GDP ratio (the "New Methodology"). The New Methodology provides that the calculation of the public debt to GDP ratio is to be based on total public debt as published in the official aggregate financial statements and the latest nominal GDP as published by the Central Bank. The New Methodology defines total public debt as the sum of the public debt incurred by the entities comprising the public sector and adds certain debt instruments to the calculation of public debt that were not previously included, including oil presales, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*." The Ministry of Economy and Finance's Monthly Debt Bulletin for April 2019 (the "April 2019 Debt Bulletin") was the first report on public debt issued that followed the New Methodology. The Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology provides that by November 14, 2019, the

Ministry of Economy and Finance was required to publish public debt figures calculated using the New Methodology going back to October 2010. Such deadline has not been met due to unexpected delays in gathering and consolidating the data, with the release of these updated public debt figures expected within the weeks following this Offering Circular. Once these past public debt figures are published using the New Methodology, those numbers may vary from the public debt figures presented in this Offering Circular for the comparable period which were calculated based on the old methodology.

On December 18, 2018, by executive decree No. 617, President Moreno issued the *Reglamento para la Aplicación de la Ley Orgánica para el Fomento Productivo, Atracción de Inversiones, Generación de Empleo, y Estabilidad y Equilibrio Fiscal* ("Regulation to the Organic Law for Productive Development") supplementing the Organic Law for Productive Development, which became effective on December 20, 2018. The Regulation to the Organic Law for Productive Development also amends the Rules to the Public Planning and Finance Code to include a new section on fiscal rules and to amend certain articles. Article 133 of the Rules to the Public Planning and Finance Code is amended to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the central government in a period of no more than 60 days after the end of each month. These amendments also provide that in establishing the total amount of public debt, the Ministry of Economy and Finance will consider the aggregate public debt/GDP indicator of the entities constituting the public sector. This indicator will be calculated and projected based on the public debt aggregate statements, at least for the final balances, for the following four years. Among other provisions, the regulation provides guidance for calculating the debt to GDP ratio for these purposes, as well as for reducing the balance of the public debt below 40% and for ensuring that the balance of the public debt does not exceed 40% of GDP after it has been reduced.

Special Audit by the Office of the Comptroller General

In July 2017, the *Contraloría General del Estado* (the "Office of the Comptroller General") headed by Dr. Pablo Celi announced pursuant to *Acuerdo* 024-CG-2017 its intention to conduct a special audit on the legality, sources and uses of all the internal and external debt of the Republic incurred between January 2012 and May 2017 (the "Special Audit"), as authorized by Ecuadorian law to examine acts of public entities. The Special Audit examined the sources and uses of various financings, and whether those financings were completed in accordance with the relevant applicable laws, regulations and policies, as more fully described in "*The Republic of Ecuador–Form of Government–Review and Audit by the Office of the Comptroller General*." The Office of the Comptroller General in its report dated April 6, 2018 (the "CGR Audit Report") included: (i) conclusions of the Special Audit conducted; and (ii) recommendations regarding actions related to specific contracts or methodologies (according to the law, these recommendations are mandatory for public entities and cannot be challenged). The Special Audit did not result in the annulment of previous acts, or the invalidation of existing contracts, which may only occur with judicial intervention in a proceeding initiated before Ecuadorian courts.

The CGR Audit Report concluded that certain rules that defined the methodology to calculate public debt were replaced with laws and regulations that allowed for discretion in the application and use of certain concepts related to public debt and, specifically, that the amounts of advance payments pursuant to certain commercial agreements providing for the advance payment of a portion of the purchase price of future oil deliveries should have been categorized as public debt and included in the calculation of the public debt to GDP ratio. The CGR Audit Report also concluded that Decree 1218 of 2016 established a methodology for the calculation of public debt in relation to GDP (based on the total consolidated public debt methodology set out in the Manual of Public Finance Statistics of the International Monetary Fund ("IMF")) which was not consistent with Article 123 of the *Código Orgánico de Planificación y Finanzas Públicas* ("Public Planning and Finance Code") and deviated from the practice of using the aggregation of public debt methodology for the purpose of establishing whether the public debt to GDP ceiling of 40% had been exceeded. Consequently, Decree 1218 allowed the Government to enter into certain debt transactions without obtaining the prior approval of the National Assembly despite the fact that, according to the Office of the Comptroller General, the total public debt to GDP ratio would have exceeded the 40% limit established in Article 124 of the Public Planning and Finance Code had Decree 1218 not been in place.

The CGR Audit Report also set forth some conclusions and recommendations regarding certain inter-institutional agreements between the Ministry of Economy and Finance and Petroecuador; and found deficiencies in the filing of debt documentation; the implementation of the agreed joint office for the management and monitoring

of certain credit agreements between the Ministry of Economy and Finance and China Development Bank; and, the confidential nature of certain finance documents relating to public debt.

On April 9, 2018, during the presentation of the CGR Audit Report to the public, the Office of the Comptroller General announced that the Special Audit resulted in indications of (i) of administrative liability of certain public officials, which may lead to the dismissal of those officials; (ii) civil liability of certain current or former public officials, which may lead to fines if those officials acted in breach of their duties; and (iii) criminal liability of certain former or current public officials. Civil and administrative indications of liability are reviewed by the Office of the Comptroller General. If the Office of the Comptroller General finds that such the former or current officials acted in breach of their duties, it will issue a resolution determining civil and/or administrative liability. A final resolution from the Office of the Comptroller General may be appealed to the district administrative courts.

In April 2018, the Office of the Comptroller General delivered to the *Fiscalía General del Estado* (the "Office of the Prosecutor General") a report regarding the indications of criminal liability of certain former or current public officials. Based on that report, the Office of the Prosecutor General initiated a preliminary criminal investigation against former President Correa, three former Ministers of Finance and another seven former or current public officials of the Ministry of Economy and Finance. During the preliminary criminal investigation phase, which may last up to two years, the Office of the Prosecutor General will review evidence to determine if a crime has been committed. Once the preliminary investigation is completed, the Office of the Prosecutor General may request the competent judge to hold an indictment hearing with respect to any of the officials currently under investigation. If a judge determines that there are grounds for an indictment, a 90-day period will commence in which the Office of the Prosecutor General will conclude its investigation and issue a final report. The final report will be presented before the criminal court but the alleged offenders will not be found guilty unless, after trial, the offenders are found to be criminally liable.

The CGR Audit Report recommended that, in order to reconcile amounts comprising public debt, the Public Planning and Finance Code should be amended and Decree 1218 should be repealed with respect to the calculation of the total public debt to GDP ratio to ascertain the actual value of total public debt and determine if that amount exceeded the 40% debt to GDP ratio set out in Article 124 of the Public Planning and Finance Code. Since the Office of the Comptroller General issued its CGR Audit Report and prior to the publication of the April 2019 Debt Bulletin, the Ministry of Economy and Finance had only been releasing public debt to GDP ratio information applying the aggregation methodology. On October 15, 2018, President Moreno enacted Decree 537 repealing Decree 1218 in its entirety, which became effective on October 30, 2018, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*." On December 20, 2018, the Regulation to the Organic Law for Productive Development became effective amending, among others, article 133 of the Rules to the Public Planning and Finance Code to provide that in establishing the total amount of public debt, the Ministry of Economy and Finance will consider the aggregate public debt/GDP indicator of the entities constituting the public sector. This indicator will be calculated and projected based on the public debt aggregate statements, at least for the final balances, for the following four years, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability*."

The Special Audit has resulted in additional audits, including: (i) an examination finalized in July 2018, regarding the issuance, placement and payment of short-term treasury notes with a term of up to 360 days (the "CETES") by the Republic; an examination finalized in April 2019, regarding the contracts with service providers (including lawyers, banks, financial agents and other firms) involved in public debt transactions, covering the period between January 1, 2012 and December 31, 2017; an examination finalized in April 2019, regarding the Republic's use of shares of public banks to pay the Central Bank of Ecuador, covering the period between January 1, 2016 and December 31, 2017; an examination finalized in May 2019, regarding the entry, registration and use of funds from oil presale contracts, covering the period between January 1, 2012 and December 31, 2017; and a follow-up examination finalized in May 2019, regarding the application of the recommendations under the CGR Audit Report, covering the period between April 6, 2018 and October 31, 2018; and (ii) an ongoing examination regarding the GSI Loan Facility, the Gold Derivative Transaction and the Bond Derivative Transaction, see "*Public Debt—GSI Loan Facility"*.

The special examination of the process of issuance, placement and payment of CETES by the Republic between January 1, 2016 and December 31, 2017 concluded with the Office of the Comptroller General report dated

July 4, 2018 (the "CGR CETES Report"). The CGR CETES Report concluded that (i) CETES were renewed and placed for periods longer than the 360-day period allowed by the Public Planning and Financing Code; (ii) CETES were delivered as payment instruments to pay debts, contrary to their purpose of being used to obtain resources to finance deficiencies in the fiscal accounts; and (iii) CETES were delivered to the Central Bank of Ecuador in exchange for other internal debt instruments already due, contrary to the nature of the CETES of being used to obtain resources to finance deficiencies in the fiscal accounts. In the CGR CETES Report, the Office of the Comptroller General recommended partially repealing Decree 1218 so that short-term securities with a term of less than 360 days are excluded from the calculation of total public debt, instead of short-term securities with a term of up to 360 days as was set forth in Decree 1218. Decree 537 repealed Decree 1218 on October 30, 2018, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*." On July 4, 2018, the Office of the Comptroller General delivered to the Office of the Prosecutor General a report with findings of criminal liability in respect of former President Correa, former Ministers of Economy and Finance and former general managers of the Central Bank of Ecuador, among others. Once the Office of the Prosecutor General completes the preliminary criminal investigation, which may last up to two years, it may request that an indictment hearing with respect to any of the officials currently under investigation. If a judge determines that there are grounds for an indictment, the Office of the Prosecutor General will conclude its investigation and issue a final report within 90 days to the criminal court. Following an indictment, the court would hold a pre-trial hearing. The alleged offenders would not be considered criminally liable unless determined through a trial process.

The Ecuadorian Economy

The U.S. dollar is the legal tender in Ecuador. Real GDP for 2018 was U.S.$71,933 million, compared to U.S.$70,956 million in 2017, representing a 1.4% increase in real terms. This increase was mainly due to a 2.9% increase in government expenditure as a final consumer, a 2.7% increase in household expenditure as final consumers, a 2.1% increase in gross fixed capital formation, and a 0.9% increase in exports of goods and services.

In 2018, the nominal GDP reached U.S.$107,562 million representing a 3.1% increase from U.S.$104,296 million in 2017. Nominal GDP as of the third quarter of 2019 reached U.S.$27,140.1 million representing a 0.2% increase from U.S.$27,078.4 million as of the third quarter of 2018. This increase was mainly due to the 4.9% decrease of construction activity, a 2.8% decrease in final consumption of the general government, a 2.8% decrease in general government expenditure in collective services, and a U.S.$21.5 million decrease in wages driven by the 2.2% decrease in total number of public employees.

According to the Central Bank, inflation increased from -0.20% for the 12-month period ended December 31, 2017 to 0.27% for the 12-month period ended December 31, 2018. This increase was primarily due to an increase in each of the prices of alcoholic beverages and tobacco by 2.43%, health products by 2.15%, and other goods and services by 1.79%. According to the Central Bank, inflation decreased from 0.35% for the 12-month period ended November 30, 2018 to 0.04% for the 12-month period ended November 30, 2019. This decrease was primarily due to a decrease in the prices of clothing and footwear, furniture and household items, hotels and restaurants, food and non-alcoholic beverages and communications. According to the Central Bank, inflation decreased from 0.27% for the 12-month period ended December 31, 2018 to -0.07% for the 12-month period ended December 31, 2019.

The rate of unemployment decreased from 4.62% as of December 31, 2017 to 3.69% as of December 31, 2018. The rate of unemployment increased from 4.03% as of September 30, 2018 to 4.86% as of September 30, 2019.

In 2018, manufacturing was the largest sector of the economy measured by percentage of GDP (13.12%), followed by construction (11.29%), trade (9.64%), social services (9.12%) and agriculture (8.11%). In the third quarter of 2019, manufacturing was the largest sector of the economy measured by percentage of GDP (12.80%), followed by construction (10.85%), trade (9.38%), social services (9.31%) and agriculture (7.79%).

In 2018, state-owned companies were responsible for 77.5% of production, compared to 78.4% in 2017. This decrease was principally due to delays in production schedules resulting from delays in acquisitions and temporary limitations in works and facilities, and to the increase in private oil production in 2018. In the nine months ended September 30, 2019, state-owned companies were responsible for 78.7% of production, compared to

77.4% of production in the same period of 2018. This increase was principally due to the production increase in the Auca and ITT fields. In the eleven months ended November 30, 2019, state-owned companies were responsible for 78.9% of production, compared to 77.5% of production in the same period of 2018.

According to the Central Bank's Monthly Bulletin for December 2019, oil field crude production, including that of private and state-owned companies, reached 188.8 million barrels for the year 2018, representing a 2.7% decrease from the 193.9 million barrels produced in 2017 (and a decrease of 2.7% in barrels per day). According to the Central Bank's Monthly Bulletin for December 2019, oil field crude production, including that of private and state-owned companies, reached 177.0 million barrels for the eleven months ended November 30, 2019, representing a 2.5% increase from the 172.7 million barrels produced in the same period of 2018 (and an increase of 2.5% in barrels per day).

In 2018, crude oil exports totaled U.S.$7,853 million, a 26.9% increase from U.S.$6,190 million in 2017. This increase was due to an increase in the average price of petroleum per barrel from U.S.$45.68 in 2017 to U.S.$60.55 in 2018, despite a 4% decrease in export volume. In the first ten months of 2019, crude oil exports totaled U.S.$6,478 million, a 4.2% decrease from U.S.$6,764 million in the first ten months of 2018. This decrease was primarily due to a 10.8% decrease in the average price of petroleum per barrel from U.S.$62.5 to U.S.$55.7. In the first eleven months of 2019, crude oil exports totaled U.S.$7,052 million, a 4.0% decrease from U.S.$7,346 million in the first eleven months of 2018.

Balance of Payments and Foreign Trade

Given Ecuador's dollarized economy, the balance of payments is important in determining money supply. A positive balance of payments would increase money supply and a negative balance of payments would decrease money supply. In 2018, there was a balance of payments deficit of U.S.$92.0 million, a decrease in the deficit compared to the U.S.$1,858.5 million balance of payments deficit in 2017. This decrease in the deficit was primarily due to an increase in foreign direct investment of U.S.$782.6 million, a decrease in income from portfolio investments of U.S.$3,889.7 million, a decrease in assets from other investments of U.S.$4,221.8 million and an increase of liabilities from other investments by U.S.$1,935.6 million. For the third quarter of 2019, there was a balance of payments surplus of U.S.$774.8 million, an increase compared to the U.S.$466.8 million balance of payments deficit in the third quarter of 2018. This increase was primarily due to the decrease in the current account deficit by U.S.$194.7 million due to a 1.1% increase in exports compared to a 5.7% decrease in imports, and to the capital and financial account surplus in the amount of U.S.$917.5 million driven by the issuance and sale of sovereign bonds during the third quarter of 2019.

In 2018, foreign direct investment reached U.S.$1,410 million, an increase compared to U.S.$618.8 million in 2017. This increase was principally due to a positive net flow of debt between related companies where service of the debt outpaced amortization. In the third quarter of 2019, foreign direct investment reached U.S.$127.9 million, a decrease compared to U.S.$297.4 million for the third quarter of 2018. This decrease was principally due to a U.S.$66.9 million decrease in equity investment in shares of stock and a U.S.$6.1 million decrease in reinvested earnings.

In 2018, imports totaled U.S.$22,385.8 million compared to U.S.$19,306.8 million in 2017. This increase in the level of imports was primarily due to a 13.7% increase in imports of consumer goods, a 36.4% increase in imports of fuel and lubricants, an 11.6% increase in imports of commodities, an 11.1% increase in imports of capital assets, and a 47.8% increase in various imports. For the third quarter of 2019, imports totaled U.S.$5,490.9 million compared to U.S.$5,822.9 million for the third quarter of 2018. This decrease in the level of imports was primarily due to a 10.1% decrease in imports of consumer durables and a 12.7% decrease in imports of commodities.

International Reserves

Ecuador's International Reserves, include, among other items, cash in foreign currency, gold reserves, reserves in international institutions, and deposits from Ecuador's financial institutions and non-financial public sector institutions.

As of December 31, 2018, Ecuador's International Reserves totaled U.S.$2,676.5 million, an increase from December 31, 2017 when International Reserves totaled U.S.$2,451.1 million. The increase in International Reserves during the 12-month period ending in December 31, 2018 compared to the period ending in December 31, 2017 was mainly due to an increase in the net income of oil exports and the net payment of external public debt, which allowed to offset the net outflow of the private financial sector (mainly due to goods and services imports) by U.S.$2,091 million, the non-oil imports of the public sector and payments in arbitral awards by U.S.$1,927 million, and net cash withdrawals from the financial system by U.S.$589 million.

As of November 30, 2019, Ecuador's International Reserves totaled U.S.$3,178.7 million, an increase from November 30, 2018 when International Reserves totaled U.S.$2,382.2 million. This increase in International Reserves was principally due to a higher net income from crude oil exports than money transfers from oil derivatives imports resulting in a net increase in international reserves of U.S.$2,040 million, and a U.S.$1,717 million increase in public external debt during the period; with this increase in the inflow of money partly offset by a net increase in money transfers abroad from the public and private financial sectors, in the amounts of U.S.$1,489 million and U.S.$1,055 million, respectively, and to net cash withdrawals from the financial system totaling U.S.$415 million. As of December 31, 2019, Ecuador's International Reserves totaled U.S.$3,397.1 million, a 26.9% increase from December 31, 2018 when International Reserves totaled U.S.$2,676.5 million, and a 6.9% increase from November 30, 2019, when International Reserves totaled U.S.$3,178.7 million.

As of November 30, 2019, Ecuador's International Reserves totaled U.S.$3,178.7 million, a 22.4% decrease from October 31, 2019. As of October 31, 2019, Ecuador's International Reserves totaled U.S.$4,097.8 million, a 20.1% decrease from September 30, 2019. As of September 30, 2019, Ecuador's International Reserves totaled U.S.$5,130.4 million, a 34.7% increase from August 31, 2019.

Monetary System

As of November 30, 2019, the Ecuadorian banking system had a total of 24 banking institutions, of which one was a foreign bank operating in Ecuador and one was a state-owned commercial bank.

The majority of funding for the Ecuadorian banking system is comprised of demand deposits, which increased 4.7% from U.S.$19,014 million in 2014 to U.S.$19,912 million in 2017. As of December 31, 2018, time deposits totaled U.S.$10,388 million, an increase of 10.0% since December 31, 2017. This increase was principally due to an increase in time deposits with a 180 and 360 days term. As of November 30, 2019, private bank's time deposits totaled U.S.$12,069 million, an increase of 14.6% since November 30, 2018. This increase was mainly due to a 23.89% increase in time deposits with a 181 and 360 days term and a 17.9% increase in time deposits with a 91 and 180 days term. As of December 31, 2019, private bank's time deposits totaled U.S.$12,374.4 million, an increase from U.S.$10,388 million as of December 31, 2018.

As of December 31, 2018, private banks' time and demand deposits totaled U.S.$29,845 million, an increase of 1.7% compared to December 31, 2017. This increase was principally due to an increase in time deposits of U.S.$948 million. As of November 30, 2019, private banks' time and demand deposits totaled U.S.$30,668 million, an increase of 4.7% compared to November 30, 2018. This increase was principally due to an increase in time deposits of U.S.$1,540 million. As of December 31, 2019, private banks' time and demand deposits totaled U.S.$32,138 million, an increase compared to U.S.$29,845 million as of December 31, 2018.

Foreign banks and financial institutions are also a source of liquidity in the Ecuadorian banking system. As of December 31, 2018, the balance of foreign liabilities in the banking sector amounted to approximately U.S.$1,799 million, which is an increase of 12.9% from the balance of foreign liabilities in December 31, 2017, which was U.S.$1,593 million. As of November 30, 2019, the balance of foreign liabilities in the banking sector amounted to approximately U.S.$2,391.6 million, which is an increase of 46.8% from the balance of foreign liabilities in November 30, 2018, which was U.S.$1,628.7 million. As of December 31, 2019, the balance of foreign liabilities in the banking sector amounted to approximately U.S.$2,512 million, which increased compared to the balance of foreign liabilities as of December 31, 2018, which was U.S.$1,799 million. As of December 31, 2018, the banking system represented 79.65% of the total assets of the private financial system. The banking system, for the year ended December 31, 2018, generated a profit of U.S.$553.8 million, which according to data from the

Superintendent of Banks represented 0.51% of Ecuador's nominal GDP and an increase compared to U.S.$395.8 million as of December 31, 2017. The banking system strengthened between 2017 and 2018, and its assets expanded by 5.15% due to an 11.60% increase in the loan portfolio.

As of November 30, 2019, the banking system represented 77.5% of the total assets of the private financial system. For the period ended in November 30, 2019, the banking system made a profit of U.S.$560.0 million compared to U.S.$504.3 million for the same period in 2018. This increase was mainly due to the growth in the amount of interest received and discounts earned as compared to the amount of interest paid and discounts granted. As of November 30, 2019, the assets of the banking system totaled U.S.$42,888 million, an increase of 7.55% from U.S.$39,879 million as of November 30, 2018. This increase was principally due to a U.S.$2,340 million or 9.2% increase in the loan portfolio. As of December 31, 2019, the assets of the banking system totaled U.S.$44,583 million, which increased from U.S.$40,984 million as of December 31, 2018.

As of December 31, 2018, the delinquency rate on loans from the private banking sector decreased to 2.62% compared to the 2.96% delinquency rate as of December 31, 2017. This decrease was principally due to a 14.31% decrease in past-due loans (not including the portfolio of loans that do not accrue interest), while the total gross loan portfolio increased by 11.08%. As of November 30, 2019, the delinquency rate decreased to 3.05% compared to the 3.10% delinquency rate as of November 30, 2018. This decrease was principally due to a more significant growth in the productive loan portfolio (a 9.0% increase) than the growth of the unproductive loan portfolio (a 7.2% increase).

As of December 31, 2018, 48.1% of all current loans were commercial, 35.8% were consumer, 8.5% were housing, 6.2% were microcredit and 1.5% were education related. As of November 30, 2019, 45.8% of all current loans were commercial, 38.2% were consumer, 8.0% were housing, 6.6% were microcredit and 1.4% were education related. As of December 31, 2019, 45.8% of all current loans were commercial, 38.34% were consumer, 7.9% were housing, 6.6% were microcredit and 1.4% were education related.

As of December 31, 2018, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.$31,257 million, an increase from the U.S.$30,689 million as of December 31, 2017. As of November 30, 2019, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.$32,177 million, an increase from the U.S.$30,608 million as of November 30, 2018. As of December 31, 2019, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.$33,678 million, an increase from the U.S.$31,257 million as of December 31, 2018.

Total current loans to the private sector from the private banking sector increased from U.S.$23,873 million as of December 31, 2017 to U.S.$26,609 million as of December 31, 2018. Total current loans to the private sector from the private banking sector increased to U.S.$28,687 million as of November 30, 2019. Total current loans to the private sector from the private banking sector increased from U.S.$26,609 million as of December 31, 2018, to U.S.$29,209 million as of December 31, 2019.

Proposal to Reform the Monetary and Financial Law

On October 18, 2019, President Moreno presented before the National Assembly the draft Law on Economic Development which, among other reforms, was aimed at reforming certain aspects of Ecuador's financial laws and regulations to, among other objectives, (i) enhance fiscal sustainability establishing stricter budget controls and (ii) strengthen dollarization by enhancing the Central Bank's autonomy, see "*The Republic of Ecuador—Recent Measures by President Moreno.*" On November 17, 2019, the National Assembly voted to reject the draft Law on Economic Development. In response, on November 21, 2019, President Moreno presented the draft Organic Law on Tax Simplification, replacing the draft Law on Economic Development with respect to certain aspects of the intended tax reform. The Organic Law on Tax Simplification was first approved by the National Assembly on December 9, 2019, and after a Presidential partial veto, it was finally approved on December 30, 2019, and became effective on December 31, 2019, see "*The Republic of Ecuador—Recent Measures by President Moreno.*"

The Government indicated in its Updated Memorandum of Economic and Financial Policies presented to the IMF on December 11, 2019, that it is currently studying a new draft law modifying certain aspects of the banking and monetary reforms intended under the draft Law on Economic Development. Presentation to the

National Assembly of amendments to the Public Planning and Finance Code are expected by the end of February 2020, and presentation of amendments to the Organic Monetary and Financial Law, after consultation with various stakeholders and building consensus, are expected by April 2020, see "*Public Debt—IMF's Extended Fund Facility*."

Public Sector Finances

In 2018, Central Government revenues totaled U.S.$20,233 million, while total expenditures were U.S.$24,154 million. This resulted in a deficit of U.S.$3,921 million in 2018, a decrease in the deficit compared to the U.S.$6,142 million deficit in 2017. This decrease in the deficit was primarily due to an increase in non-oil revenue as well as an optimization of investment projects.

For the first nine months of 2019, Central Government revenues totaled U.S.$14,506 million, while total expenditures were U.S.$16,968 million. This resulted in a deficit of U.S.$2,462 million for the first nine months of 2019, as compared to the U.S.$1,667 million deficit for the first nine months of 2018. This increase in the deficit is primarily due to a decrease in revenue from transfers to the general State budget and an increase in expenditures compared to 2018 driven by the reinstatement of the Government's requirement to cover 40% of public pension plans under the social security law. For the first ten months of 2019, Central Government revenues totaled U.S.$16,137 million, while total expenditures were U.S.$18,933 million. This resulted in a deficit of U.S.$2,796 million for the first ten months of 2019, as compared to the U.S.$2,070 million deficit for the first ten months of 2018.

In 2018, the non-financial public sector registered a deficit of U.S.$1,300 million compared to a deficit of U.S.$4,653 million in 2017. This decrease in the deficit was principally due to an increase in petroleum and tax revenues, as a result of an increase in the price per barrel of petroleum, and the reduction in capital expenditure, as well as a decrease in Central Government expenditures as a result of the optimization of investment projects. In 2018, total revenues for the non-financial public sector totaled U.S.$38,865 million, an increase from U.S.$33,426 million for 2017. This increase was primarily due to an increase in oil revenues. In 2018, total expenditures for the non-financial public sector totaled U.S.$40,166 million, an increase compared to U.S.$38,079 million in 2017. This increase was primarily due to an increase in current expenditure by approximately 5% of GDP.

For the first nine months of 2019, the non-financial public sector registered a surplus of U.S.$242 million compared to a surplus of U.S.$645 for the first nine months of 2018. This decrease in total surplus is primarily due to an increase in non-tax revenue and an increase in the operational surplus of public sector companies. For the first ten months of 2019, the non-financial public sector registered a surplus of U.S.$245 million compared to a surplus of U.S.$543 million for the first ten months of 2018.

For the first nine months of 2019, total revenues for the non-financial public sector totaled U.S.$27,972 million, a decrease from U.S.$28,698 million for the first nine months of 2018. This decrease was primarily due to a lower increase in 2019 in non-tax revenue and in the operational surplus of public sector companies compared to 2018. For the first ten months of 2019, total revenues for the non-financial public sector totaled U.S.$30,951 million, a decrease from U.S.$31,835 million for the first ten months of 2018.

For the first nine months of 2019, total expenditures for the non-financial public sector totaled U.S.$27,730 million, a decrease compared to U.S.$28,053 million for the first nine months of 2018. This decrease was primarily due to the optimization of public investment under the general State budget initiated in 2019. For the first ten months of 2019, total expenditures for the non-financial public sector totaled U.S.$30,707 million, a decrease compared to U.S.$31,292 million for the first ten months of 2018.

The 2019 Budget provided for a budget of approximately U.S.$31,301 million. The 2019 Budget provided for about 22,362 million in total revenues and U.S.$25,998 million in total expenses, for an expected global deficit of U.S.$3,637 million. The 2019 Budget assumed an average crude oil price of U.S.$50.05 per barrel, estimates a GDP rate growth of 1.43% and an average annual inflation rate of 1.07%.

On October 31, 2019, President Moreno presented the 2020 Budget (the "2020 Budget") to the National Assembly for approval. On November 27, 2019, the National Assembly made 20 proposed changes, or recommendations, to the 2020 Budget recommending, among others, the rationalization of expenditure, further clarification of the proposed U.S.$2,000 million plan for monetization, including a contingency plan to account for the volatility of oil prices. The Executive branch submitted its response and the revised 2020 Budget on December 5, 2019. On December 17, 2019, the National Assembly voted against the 2020 Budget, failing to meet the legal deadline established for its approval under the law. In such cases where a draft budget law is not approved by the National Assembly within the legal deadline, under Ecuadorian law, such laws may be approved by default. Consequently, the 2020 Budget became effective on December 27, 2019. For more information on the budget process, see "*Public Sector Finances—Overview—Budget Process*." The 2020 Budget provides for a budget of approximately U.S.$35,498 million. The 2020 Budget assumes approximately U.S.$22,516 million in total revenue, which includes expected income from monetization of certain public assets, and approximately U.S.$25,900 million in total expenses, for an expected total deficit of approximately U.S.$3,384 million. The 2020 Budget assumes an average crude oil price of U.S.$51.3 per barrel, estimates a GDP rate growth of 0.57% and an average annual inflation rate of 0.84%. The 2020 Budget assumes approximately U.S.$8,917 million in financing needs, of which U.S.$4,696 million are expected from external financing sources, including multilateral institutions with approximately U.S.$3,643 million, government loans with approximately U.S.$380 million, international bonds with U.S.$400 million and commercial loans with approximately U.S.$273 million. Domestic financing is expected from local bonds with approximately U.S.$1,955 million. The remaining financing needs are expected to be covered by the balance from the prior year's budget with approximately U.S.$2,267 million. During the execution of the 2020 Budget, these financing needs estimates may change based upon changing market conditions and policy goals.

Public Debt

Between October 2016 and October 2018, pursuant to Decree 1218, the consolidated methodology was the legal methodology in Ecuador to calculate the public sector debt to GDP in Ecuador and was in accordance with the IMF methodology, the IMF GFS. However, on October 30, 2018, the repeal of Decree 1218 became effective. On December 20, 2018, the Regulation to the Organic Law for Productive Development became effective amending, among others, article 133 of the Rules to the Public Planning and Finance Code to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the central government in a period of no more than 60 days after the end of each month, as further described in "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability*." For a description of certain risks relating to this change in methodology, see "*Risk Factors—Risk Factors relating to Ecuador—The Republic may incur additional debt beyond what investors may have anticipated as a result of a change in methodology in calculating the public debt to GDP ratio for the purpose of complying with a 40% limit under Ecuadorian law, which could materially adversely affect the interests of holders of the Notes* and *Risk Factors—The Office of the Comptroller General has issued a report with conclusions from its audit to the Republic's internal and external debt in this Offering Circular*." Public sector consolidated debt, including internal and external debt of the financial and non-financial public sector and the external Central Bank debt balance was U.S.$36,440.0 million as of December 31, 2018, compared to U.S.$32,639.5 million as of December 31, 2017 and U.S.$26,810.6 million as of December 31, 2016. As of November 30, 2019, using the New Methodology, public sector consolidated debt was U.S.$41,831.9 million.

Since April 2018, Ecuador has been using the aggregation methodology to calculate the public debt to GDP ratio. Public sector aggregate debt, including internal and external debt of the financial and non-financial public sector and the external Central Bank debt balance, was U.S.$49,463.4 million as of December 31, 2018, compared to U.S.$46,535.6 million as of December 31, 2017. The ratio of total public sector aggregate debt to GDP increased from 44.6% as of December 31, 2017 to 45.2% as of December 31, 2018. Public sector aggregate debt, including internal and external debt of the financial and non-financial public sector and the external Central Bank debt balance, was U.S.$51,214.8 million as of March 31, 2019 (the period prior to the implementation of the New Methodology in April 2019), compared to U.S.$48,931.3 million as of March 31, 2018. This increase in public sector aggregated debt was primarily due to disbursements of existing loans with China Development Bank, the issuance of the 2028 Notes, the GSI Repo Transaction, the CS Repo Transaction, and the issuance of the 2029 Notes, see "*Public Debt—Debt Obligations*." The ratio of total public sector aggregate debt to GDP increased from 44.7% as of March 31, 2018 to 45.3% as of March 31, 2019. The ratio of total public sector aggregate debt to GDP increased from 44.7% as of November 30, 2018 under the prior methodology, to 52.0% as of November 30, 2019

under the New Methodology. As of November 30, 2019, interest payments on all debt obligations represented approximately 2.82% of GDP.

Beginning with its April 2019 Debt Bulletin, Ecuador began issuing its periodic report on public debt in accordance with the New Methodology. The New Methodology provides that the calculation of the public debt to GDP ratio is to be based on total public debt as published in the official aggregate financial statements and the latest nominal GDP as published by the Central Bank. The New Methodology defines total public debt as the sum of the public debt incurred by the entities comprising the public sector and adds certain debt instruments to the calculation of public debt that were not previously included, including oil presales, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*." In contrast with the prior methodology for calculating the public debt to GDP ratio, under the New Methodology, (i) the calculation of public external debt also includes the amounts of advance payments pursuant to certain commercial agreements providing for the advance payment of a portion of the purchase price of future oil deliveries ("oil presales"), the Central Bank's special drawing rights with the IMF, and liabilities under intangible contractual rights; and (ii) the calculation of public internal debt also includes outstanding obligations of the Government (accrued but unpaid) to the public and private sectors that were already recorded in closed budgets of the General State Budget for previous years and debt instruments entered into by entities of the non-financial public sector with the *Banco de Desarrollo del Ecuador B.P.* (the "Ecuadorian Development Bank"). The Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology provides that by November 14, 2019, the Ministry of Economy and Finance was required to publish public debt figures calculated using the New Methodology going back to October 2010. Such deadline has not been met due to unexpected delays in gathering and consolidating the data, with the release of these updated public debt figures expected within the weeks following this Offering Circular. Once these past figures are published using the New Methodology, those numbers may vary from the public debt figures presented in this Offering Circular for the comparable period which were calculated based on the old methodology.

Under the New Methodology, public sector aggregate debt, including internal and external debt of the financial and non-financial public sector and the external Central Bank debt balance, was U.S.$56,780. 6 million as of November 30, 2019, compared to U.S.$48,954.4 million as of November 30, 2018. This increase in public sector aggregated debt was primarily due to the disbursements of existing loans with the China Development Bank, the issuance of the 2029 Notes (see "*Public Debt—Debt Obligations—2029 Notes")* and the inclusion in the definition of public external debt under the New Methodology of oil presale contracts, liabilities under intangible contractual rights and the Central Bank's special drawing rights with the IMF.

The Organic Law for Productive Development, which became effective on August 21, 2018, provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply.

The total external debt of the public sector in Ecuador was U.S.$35,729.7 million as of December 31, 2018, compared to U.S.$31,749.8 million as of December 31, 2017, U.S.$25,679.3 million as of December 31, 2016, U.S.$20,225.2 million as of December 31, 2015 and U.S.$17,581.9 million as of December 31, 2014.

Under the New Methodology, public external debt as of November 30, 2019 was U.S.$40,788.6 million, an increase from U.S.$35,049.7 million as of November 30, 2018. This increase was primarily due to the inclusion in the definition of public external debt under the New Methodology of oil presale contracts, the inclusion of liabilities under intangible contractual rights, and inclusion of the Central Bank's special drawing rights with the IMF.

As of November 30, 2019, the three main bilateral lenders to Ecuador were China, France and Spain, with debt levels of U.S.$5,197.3 million (82.1% of the total bilateral debt), U.S.$438.5 million (6.9% of the debt total bilateral) and U.S.$257.9 million (4.1% of total bilateral debt), respectively. As of November 30, 2019, total indebtedness owed to bilateral entities was U.S.$6,332.6 million. The Republic is current on all of its obligations to bilateral lenders.

On January 23, 2018, the Republic successfully issued U.S.$3.0 billion of notes due 2028 with a coupon of 7.875% at 100% of the purchase price. The Republic is current on its financial obligations under the 2028 Notes. The Republic used the proceeds of the 2028 Notes in accordance with the limitations of the Public Planning and Finance Code which indicates that the Republic may only use the proceeds to (1) finance Government programs, (2)

finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance an existing external debt obligation on more favorable terms.

On August 28, 2018, the Republic and Goldman Sachs International ("GSI") entered into a master repurchase agreement governed by English law which is based upon the standard Global Master Repurchase Agreement published by the International Securities Market Association, together with a negotiated annex (the "GSI-Ecuador GMRA") and a confirmation (the "August 2018 Repo Confirmation", collectively with the GSI-Ecuador GMRA, the "August 2018 GSI-Ecuador Repurchase Agreement"), pursuant to which the Republic sold and transferred to GSI U.S.$1,201,616,000 nominal amount of 2020 Notes and Series 2022 Notes (the "August 2018 Additional Notes") (with an aggregate market value at the date of the transaction of U.S.$1,250,000,000) and in return received from GSI a purchase price of U.S.$500,000,000, the value of the Republic's residual interest in the repurchase transaction and the interest amounts three business days prior to the date on which they are paid by the Republic on the 2020 Notes and Series 2022 Notes. The Republic is also required to pay to GSI, on a quarterly basis, a price differential on the purchase price based upon LIBOR plus a spread. On October 10, 2018, the Republic and GSI amended and restated the August 28, 2018 repurchase transaction to decrease the price differential spread payable by the Republic by 135bps (as compared to the price differential spread payable by the Republic under the August 28, 2018 repurchase transaction), in exchange for the Republic repaying the purchase price in euro based on an agreed upon exchange rate, although the purchase price was disbursed in US dollars.

In accordance with the substitution provisions set out in the amended and restated August 2018 GSI-Ecuador Repurchase Agreement (as amended and restated, the "Amended August 2018 GSI-Ecuador Repurchase Agreement") and pursuant to a notice of substitution dated May 23, 2019, on May 29, 2019: (a) U.S.$701,616,000 nominal amount of the August 2018 Additional Notes (comprised solely of 2020 Notes), which had a market value at the date of the notice of substitution of approximately U.S.$733.67 million (the "Substituted August 2018 Additional Notes") were returned to the Republic by GSI; and (b) U.S.$688,268,000 nominal amount of notes of the Republic due 2023 with a coupon of 8.750% (with a market value at the date of the notice of substitution of approximately U.S.$733.67 million) were transferred to GSI by the Republic. On May 29, 2019, the Republic cancelled the Substituted August 2018 Additional Notes.

On May 31, 2019, the Republic, GSI and ICBC Standard Bank Plc entered into an agreement pursuant to which a portion of GSI's interest in the Amended August 2018 GSI-Ecuador Repurchase Agreement was transferred to ICBC Standard Bank Plc.

As a result of a decline in the valuation of the 2022 Notes and the 2023 Notes, GSI made four requests under the Amended August 2018 GSI-Ecuador Repurchase Agreement from November 19 through November 22, 2019, for the Republic to transfer additional payment amounts totaling U.S.$167,814,563.08, which payments were made from November 21 through November 26, 2019. After the recovery of the value of the 2022 Notes and the 2023 Notes, upon the Republic’s request, these additional payment amounts were returned in full to the Republic.

With respect to the portion of GSI's interest in the Amended August 2018 GSI-Ecuador Repurchase Agreement that was transferred to ICBC Standard Bank Plc, ICBC Standard Bank Plc made three requests for additional payments from November 19 through November 22, 2019, for the Republic to transfer additional payment amounts totaling U.S.$36,369,031.10, which payments were made from November 21 through November 26, 2019. After the recovery of the value of the 2023 Notes and 2023 Notes, upon the Republic’s request, these additional payment amounts were returned to the Republic in full.

On October 29, 2018, the Republic and Credit Suisse AG, London Branch ("CS") entered into a master repurchase agreement governed by English law which is based upon the standard Global Master Repurchase Agreement published by the International Securities Market Association, together with a negotiated annex (the "CS-Ecuador GMRA") and a confirmation (the "October 2018 Repo Confirmation", collectively with the CS-Ecuador GMRA, the "October 2018 CS-Ecuador Repurchase Agreement"), pursuant to which the Republic sold and transferred to CS U.S.$1,187,028,000 nominal amount of reopened 2022 Notes (the "CS Reopened Notes") (with an aggregate market value at the date of the transaction of U.S.$1,249,999,835.40) and in return received from CS a purchase price of EUR439,251,515.42 (which the Republic and CS agreed would be settled in US dollars by the payment by CS of U.S.$500,000,000 to the Republic), the value of the Republic's residual interest in the repurchase transaction and the interest amounts three business days prior to the date on which they are paid by the Republic on

the CS Reopened Notes. The Republic is also required to pay to CS, on a quarterly basis, a price differential based upon LIBOR plus a spread.

In accordance with the substitution provisions set out in the October 2018 CS-Ecuador Repurchase Agreement on August 6, 2019: (a) U.S.$1,187,028,000 nominal amount of the CS Reopened Notes (comprised solely of 2022 Notes), which had a market value at the date of the notice of substitution of approximately U.S.$1,309.7 million (the "Substituted October 2018 Additional Notes") were returned to the Republic by CS; and (b) U.S.$610,359,000 nominal amount of newly issued 2023 Notes (with a market value at the date of the notice of substitution of approximately U.S.$654.9 million) (the "Additional 2023 Notes") and U.S.$611,870,000 nominal amount of newly issued 2026 Notes (with a market value at the date of the notice of substitution of approximately U.S.$654.9 million) (the "Additional 2026 Notes" and, together with the Additional 2023 Notes, the "August 2019 Additional Notes") were transferred to CS by the Republic. On August 6, 2019, the Republic cancelled the Substituted October 2018 Additional Notes.

As a result of a decline in the valuation of the August 2019 Additional Notes, CS made two requests on November 18, 2019, and November 19, 2019, respectively, for the Republic to transfer additional payment amounts totaling U.S.$225,339,699.48, which payments were made on November 20 and 21, 2019, respectively. After the recovery of the August 2019 Additional Notes, upon the Republic's request, additional payment amounts totaling U.S.$177,492,564.32 have been returned to the Republic. The Republic is expected to request the return of the remaining additional amounts totaling U.S.$47,847,135.16.

On January 31, 2019, the Republic successfully issued U.S.$1,000 million of notes due 2029 with a coupon of 10.750% at 100.000% of the purchase price (the "2029 Notes").

On March 12, 2019, the Republic and the IDB entered into a U.S.$50 million loan agreement maturing November 15, 2043, with the goal of "Investment in the Quality of Child Development Services".

On April 10, 2019, the Republic and the IDB entered into a U.S.$50 million loan agreement maturing November 15, 2043 with the goal of "Program to Enhance Fiscal Capacity for Public Investment".

On May 24, 2019, the Republic and the IDB entered into a U.S.$50 million loan agreement maturing May 24, 2026 with the goal of "Emergency Program for Macroeconomic Sustainability and Prosperity".

On May 29, 2019, the Republic reopened its 2023 Notes, issuing an additional U.S.$688,268,000 of notes at a price of 106.597%, also due 2023, for the purpose of a substitution under the Amended August 2018 GSI-Ecuador Repurchase Agreement. See "*GSI Repo Transaction*" below.

On June 17, 2019, the Republic reopened its 2029 Notes and successfully issued an additional U.S.$1,125,000,000 million of notes due 2029 at a price of 110.746%. The Republic applied the proceeds of the reopened 2029 Notes towards the repurchase of U.S.$1,175,370,000 principal amount of its 2020 Notes by means of a tender offer that settled on June 18, 2019.

On June 17, 2019, the Republic and the IBRD entered into a U.S.$500 million loan agreement maturing June 1, 2049, with proceeds used to promote government efficiency, remove barriers to private sector development and provide funds for social expenditure for the most vulnerable segments of the population.

On July 2, 2019, the Republic received from the IMF a second disbursement of U.S.$251 million under the IMF's Extended Fund Facility.

On July 3, 2019, the Republic and the IDB entered into a U.S.$150 million loan agreement maturing November 15, 2042, with the goal of providing support to the Republic's plan to diversify its energy assets.

On July 12, 2019, the Republic and the IDB entered into a U.S.$93.9 million loan agreement maturing June 15, 2044, with the goal of promoting housing to poor and vulnerable communities under the Housing for All Program.

On July 22, 2019, the Republic and the IBRD entered into a U.S.$350 million loan agreement maturing March 15, 2049, with the goal of improving equity, integration and sustainability of social programs and providing technical assistance for capacity building, monitoring and evaluating social programs.

On July 23, 2019, the Republic and the IDB entered into a U.S.$300 million loan agreement maturing April 15, 2039, with the goal of supporting the Government's plan for fiscal stability to facilitate sustainable growth and key contributions to social development.

On July 23, 2019, the EPMAPS EP and the IDB entered into a U.S.$87.1 million loan agreement with disbursements spread over six years with a final principal amortization date of July 23, 2043, with the goal of providing financial support for the maintenance of Quito's sewage and potable water systems. This loan agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On August 6, 2019, the Republic reopened its 2023 Notes and 2026 Notes, issuing an additional U.S.$610,359,000 of its 2023 Notes at a price of 107.291%, and U.S.$611,870,000 of its 2026 Notes at a price of 107.026%, for the purpose of a substitution under the October 2018 CS-Ecuador Repurchase Agreement, see "*CS Repo Transaction*" below.

On August 13, 2019, the *Corporación Financiera Nacional B.P.* (the "CFN") and the CAF entered into a U.S.$50 million loan agreement to be repaid in 15 years, with the goal of supporting the *Progresar* program of the CFN which seeks to incentivize the diversification of Ecuador's economy. This loan agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On August 28, 2019, the Republic and the IDB entered into a U.S.$12 million loan agreement maturing May 15, 2044, to support further investment in Ecuador.

On August 29, 2019, the EMAPAG EP and the CAF entered into a U.S.$84 million credit facility agreement maturing July 31, 2039, to support the improvement of sanitation in Guayaquil. This facility agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On September 4, 2019, the Republic and the IDB entered into a U.S.$100 million loan agreement maturing October 15, 2043, with the goal of supporting the modernization and renovation of the Ecuadorian electric system.

On September 9, 2019, the Republic and the IDB entered into a U.S.$40.08 million loan agreement maturing December 15, 2043, with the goal of supporting people with disabilities.

On September 27, 2019, the Republic successfully issued U.S.$600 million of notes due 2025 with a coupon of 7.875% at 100.000% of the purchase price (the "2025 Notes") and U.S.$1,400 million of notes due 2030 with a coupon of 9.500% at 100.000% of the purchase price (the "2030 Notes").

In the fourth quarter of 2019, the Republic has signed the following facility agreements with export credit agencies, official development agencies, and multilateral financial institutions: (1) on October 4, 2019, the Republic and the IDB entered into a U.S.$43 million loan agreement maturing July 15, 2044, with the goal of supporting the Financial Management Modernization Program; (2) on November 4, 2019, the Republic and The Export-Import Bank of China entered into a RMB 390 million concessional loan agreement and a RMB 734 million concessional loan agreement, each with a term of twenty years; (3) on November 18, 2019, the Republic and the IDB entered into a U.S.$75 million loan agreement maturing September 15, 2044, with the goal of supporting the State-owned Enterprise Reform Support Program; (4) on November 18, 2019, the Republic and CAF entered into a U.S.$203 million loan agreement, as amended on November 27, 2019, maturing in 15 years with a 66-month grace period with the goal of supporting Ecuador’s Urban Plan and Habitat Policy Program; (5) on November 22, 2019, the Republic and the French Development Agency (the “AFD”) entered into an U.S.$80 million credit facility agreement maturing on July 31, 2039, with the goal of supporting fully-subsidized social housing and other components of the "*Casa para Todos*" project (the "Housing for All Program") which are different to those components of the project that will be financed with the proceeds of the Notes; and (6) on December 10, 2019, the Republic and the AFD

entered into a U.S.$150 million credit facility agreement maturing on January 31, 2040, with the goal of supporting policies targeting climate change.

Moreover, in the fourth quarter of 2019, the Republic through its Ministry of Economy and Finance has entered into guarantee agreements for the following loan agreements: (1) the U.S.$40 million loan agreement dated November 29, 2019, between BanEcuador B.P. and CAF, to be repaid in 15 years, to finance small and medium-sized producers of cocoa and palm and the institutional strengthening of BanEcuador; (2) the U.S.$34.12 million loan agreement dated December 20, 2019, between the *Empresa Pública Municipal de Telecomunicaciones, Agua Potable, Alcantarillado y Saneamiento de Cuenca Etapa EP* and CAF, to be repaid in 18 years, to partially finance the Construction Project of the Guangarcucho Wastewater Treatment Plant; (3) the EUR19.0 million loan agreement dated December 23, 2019, between the *Honorable Gobierno Provincial de Tungurahua* (HGPT), Tunguragua, Ecuador and KfW, Frankfurt am Main, to be repaid by December 30, 2049, to finance the investments in the strengthening of irrigation systems as well as other measures for the protection of water resources of the Province of Tungurahua, Ecuador, as well as certain consulting services.

On December 19, 2019, the Republic received from the IMF a disbursement of about U.S.$498 million under the IMF's Extended Fund Facility.

Certain of the finance documents that the Republic had previously expected to sign during the fourth quarter of 2019 were not executed at that time, and accordingly the total amount of finance documents executed during the fourth quarter of 2019 was less than the U.S.$864 million originally expected.

In the next few months, the Republic expects to enter into several loan agreements with private and bilateral lenders totaling approximately U.S.$270 million.

The International Monetary Fund's Extended Fund Facility

On February 21, 2019, Ecuador and the IMF staff announced an agreement on a set of policies to underpin a U.S.$4,200 million arrangement under the IMF's Extended Fund Facility, subject to IMF Executive Board approval. This arrangement is part of a broader effort of the international community that includes financial support of approximately U.S.$6,000 million over the subsequent three years from six other multilateral agencies and development banks. See "*The Republic of Ecuador—Memberships in International Organizations and International Relation—International Organizations.*" As noted in the IMF's press release dated February 21, 2019, "the government's plan is aimed at creating a more dynamic, sustainable, and inclusive economy and is based on four key tenets; to boost competitiveness and job creation; to protect the poor and most vulnerable; to strengthen fiscal sustainability and the institutional foundations of Ecuador's dollarization; and to improve transparency and strengthen the fight against corruption."

The Ministry of Economy and Finance announced on February 21, 2019 that the staff-level agreements reached with the IMF and other multilateral agencies and development banks project availability of up to U.S.$10,279 million in financing over the subsequent three years, with approximate amounts distributed as follows: U.S.$4,200 million from the IMF; U.S.$1,800 million from the Development Bank of Latin America; U.S.$1,744 million from the World Bank; U.S.$1,717 million from the IDB; U.S.$380 million from the European Investment Bank; U.S.$280 million from the Latin American Reserve Fund; and, U.S.$150 million from the AFD. The Ministry of Economy and Finance also announced that it is expected that, of the entire amount, U.S.$4,600 million will be disbursed in 2019, U.S.$3,100 million in 2020, and U.S.$2,500 million in 2021; and that disbursements of about U.S.$3,500 will be tied to specific projects.

On March 1, 2019, Ecuador's Minister of Economy and Finance and the General Manager of the Central Bank of Ecuador presented the IMF with the Letter of Intent, including a Memorandum of Economic and Financial Policies and a Technical Memorandum of Understanding, outlining Ecuador's economic outlook and economic goals in connection with the request for a three-year extended arrangement under the IMF's Extended Fund Facility to support the Plan of Prosperity. In the Letter of Intent, the Minister and the General Manager emphasized four pillars of the country's current social and macroeconomic plan: (1) reconstruction and strengthening of the institutional foundations of dollarization, (2) employment and growth generation through increased competitiveness, (3)

increasing equality of opportunities and protection of the poor and most vulnerable segments of the population, and (4) guaranteeing a climate of transparency and good governance.

The Memorandum of Economic and Financial Policies attached to the Letter of Intent outlines the Government's policy plans for the coming three years. For more information on the measures that the Government intends to implement, see "*Public Debt—IMF's Extended Fund Facility."*

On March 11, 2019, the executive board of the IMF approved the U.S.$4,200 million arrangement under the IMF's Extended Fund Facility for Ecuador, enabling the disbursement of U.S.$652 million. The arrangement provides for an approximate 3% interest rate and a ten-year repayment plan (with a four-year grace period). According to the IMF's press release of March 11, 2019, "the Ecuadorian authorities are implementing a comprehensive reform program aimed at modernizing the economy and paving the way for strong, sustained, and equitable growth. The authorities' measures are geared towards strengthening the fiscal position and improving competitiveness and by so doing help lessen vulnerabilities, put dollarization on a stronger footing, and, over time, encourage growth and job creation."

The initial disbursement of U.S.$652 million under the IMF's arrangement was made on March 13, 2019. On June 28, 2019, the IMF's Executive Board completed its first review of Ecuador's economic performance under Ecuador's arrangement with the IMF under the Extended Fund Facility, which allowed Ecuador to draw U.S.$251 million from the facility on July 2, 2019. Disbursements under the other staff-level agreements with multilateral agencies and development banks are also subject to the approval of each organization's executive board. Under these agreements, in May 2019, the Republic entered into two loans with the CAF for U.S.$300 million and U.S.$100 million, respectively; on May 24, 2019, July 3, 2019, July 12, 2019 and July 23, 2019, the Republic entered into four loans with the IDB for U.S.$500 million, U.S.$150 million, U.S.$93.9 million and U.S.$300 million, respectively; and on June 17, 2019 and July 22, 2019, the Republic entered into two loans with the IBRD for U.S.$500 million and U.S.$350 million, respectively. Separately, the World Bank has provided project level financings for several infrastructure, irrigation, transport and sanitation projects. These projects include the Chimborazo Development Investment project in 2007 and the Quito Metro line project in 2012. In November 2018, the World Bank (through the IBRD) increased by U.S.$230 million its financing for the Quito Metro line project.

On March 11, 2019, the executive board of the IMF also concluded its Article IV consultation with Ecuador, and the IMF published its Article IV staff report.

On April 30, 2019, in line with the Letter of Intent presented to the IMF, the Ministry of Economy and Finance published the *Plan de Acción para el Fortalecimiento de las Finanzas Públicas* ("Action Plan for the Strengthening of Public Finances") with 17 proposals aimed at strengthening fiscal and budgetary rules and planning, and improving sustainability in the operations of the National Treasury. Among the proposals, the Ministry of Economy and Finance will send the President a draft bill modifying certain provisions of the Public Planning and Finance Code to further limit the Executive's discretion to outspend the national budget from 15% to 5% in order to increase credibility over each year's set fiscal goals; to substitute the CETES with a new short-term instrument that guarantees its use within the budgetary year of issuance and placement; and to include a chapter in the Public Planning and Finance Code with a functional outline of the fiscal rules to increase transparency.

On May 30, 2019, the IMF announced it had reached a staff-level agreement with the Republic on the completion of the first review under the Extended Fund Facility arrangement. In their announcement, the IMF mission concluded that "Ecuador has made considerable progress in implementing its program aligned with the Prosperity Plan." Based on their preliminary findings, the IMF mission prepared and presented a report to the IMF's Executive Board. On June 28, 2019, the IMF's Executive Board completed their first review of Ecuador's economic performance under Ecuador's arrangement with the IMF under the Extended Fund Facility, which allowed Ecuador to draw U.S.$251 million from the facility on July 2, 2019.

On October 1, 2019, President Moreno issued Decree 883 expanding the scope of the liberalization of prices for hydrocarbons by eliminating the subsidy on certain types of gasoline and diesel and thereby increasing the prices for these fuels. Following the elimination of the subsidies, prices for gasoline type "extra" and diesel for the automotive sector began to be set on a monthly basis by Petroecuador based on average prices and costs. On October 3, 2019, various groups organized protests relating to the elimination of the subsidies and increase in prices.

The protests lasted for almost two weeks and President Moreno relocated the government to Guayaquil on a temporary basis. The Government reached an agreement with protest leaders and on October 14, 2019, President Moreno issued Decree 894 terminating Decree 883, reversing the elimination of the subsidies and ordering the creation of a new policy on subsidies for hydrocarbons.

On October 18, 2019, President Moreno presented before the National Assembly the draft Law on Economic Development, aimed at reforming several of the Republic's tax and financial laws. On November 17, 2019, the National Assembly voted to reject the draft Law on Economic Development. In response, on November 21, 2019, President Moreno presented the draft Organic Law on Tax Simplification, replacing the draft Law on Economic Development with respect to certain aspects of the intended tax reform. The Organic Law on Tax Simplification was first approved by the National Assembly on December 9, 2019, and after a Presidential partial veto, it was finally approved on December 30, 2019, and became effective on December 31, 2019 (for more information on the rejection of the draft Law on Economic Development and the subsequent approval of the Organic Law on Tax Simplification, see "The Republic of Ecuador—Recent Measures by President Moreno").

On December 11, 2019, Ecuador's Minister of Economy and Finance and the General Manager of the Central Bank of Ecuador presented the IMF with a letter of intent, including an updated Memorandum of Economic and Financial Policies (the "Updated Memorandum of Economic and Financial Policies") and a Technical Memorandum of Understanding, requesting (i) completion of the second and third review of the arrangement under the IMF's Extended Fund Facility and the disbursement of the associated amount of about U.S.$498.0 million for budget support, and (ii) a waiver of nonobservance of the performance criteria on net international reserves given that the macroeconomic impact of the breach was minor, as well as certain modifications to program requirements reflected therein.

The Updated Memorandum of Economic and Financial Policies outlines the Government's policy plans for the coming two years. Failure to implement the economic and financial policies agreed with the IMF could delay or prevent future disbursements. The Updated Memorandum of Economic and Financial Policies is an updated version of the Memorandum attached to the Letter of Intent dated March 1, 2019, and outlines the same policy plans with certain updates. Among such updates, the Updated Memorandum of Economic and Financial Policies provides that:

- The Government commits to reducing the non-financial public sector non-oil primary deficit including fuel subsidies, by about 3.9% of GDP during 2019-2021.

- In light of the rejection of the draft Law on Economic Development, the Government intends to Submit to the National Assembly by end-February 2020, the revised amendments to the Public Planning and Finance Code. The amendments intend to ensure that the role of the Minister of Economy and Finance as the fiscal oversight authority is strengthened; that annual budgets are prepared in line with best international practices; that the fiscal rules framework is further strengthened, including escape clauses, automatic correction mechanisms, and in-year fiscal reporting; that government discretion to amend approved budgets is limited and a robust framework for contingency allocation is introduced; that budget execution is kept in check by comprehensive, timely, and proper government accounting and reporting, including a comprehensive definition of public debt, as well as the adoption of better cash management practices and commitment controls.

- In light of the rejection of the draft Law on Economic Development, the Government intends to Resubmit to the National Assembly by April 2020 after consultation with various stakeholders and building consensus, a revised version of the amendments to the Organic Monetary and Financial Law that were incorporated as part of the draft Law on Economic Development and which aimed to ensure that the Central Bank had clear objectives and limited functions, designed to fully support the dollarization regime, and encompassed measures to strengthen the Central Bank's autonomy including in terms of its budget, improve the Central Bank's governance by establishing a board with fiduciary responsibilities to the Central Bank, and build a strong internal and external audit function; such amendments prohibited all direct and indirect lending by the Central Bank to the government or the public sector, while remaining able to provide temporary liquidity support to public banks, if needed for prudential purposes.

- The Government is preparing a new law for state-owned enterprises, which seeks to improve efficiency, increase transparency, and strengthen governance of the state-owned enterprises.

On December 19, 2019, the IMF's Executive Board concluded its combined second and third reviews of the Government's economic program supported under the Extended Fund Facility. In these reviews, the IMF reported that the end-September benchmark under the arrangement with the IMF concerning the submission by the Republic of amendments to the Organic Monetary and Financial Law fell short of being fully implemented since the draft law submitted did not incorporate the double veto procedure for the appointment and dismissal of members of the Central Bank board, though it contained other important provisions that would strengthen the institutional foundations of the Central Bank. Other structural benchmarks for the second and third reviews were either met or implemented with a slight delay. Given the rejection of the draft Law on Economic Development, new program conditionalities were accepted by the IMF to allow the authorities more time to reach consensus and complete these structural reforms. In particular, the submission of certain amendments to the Public Planning and Finance Code consistent with program commitments were accepted as a structural benchmark for the fourth review and that of the revised Organic Monetary and Financial Law amendments as a structural benchmark for the fifth review. The IMF granted the Republic's request to modify the end-December 2019 targets on the non-oil primary balance including fuel subsidies to partially accommodate the shortfall due to the delay in asset monetization, on net international reserves due to a higher deficit and financing shortfalls, and on social assistance spending due to the postponement of one of the programs to 2020. After the IMF staff's recommendations to the IMF's Executive Board for completion of the second and third reviews, and support for the Republic's requests of waivers for nonobservance of certain targets, on December 19, 2019, the IMF's Executive Board approved the disbursement to the Republic of approximately U.S.$498 million. For more on the IMF's combined second and third reviews, see "*Public Debt—IMF's Extended Fund Facility.*"

Memberships in International Organizations and International Relations

In March 2019, the Minister of Economy and Finance of Ecuador presented its application to become a member of the OECD's Development Centre. As part of that process, the Republic will become a signatory to several OECD undertakings, including anti-bribery and foreign investment, will participate in OECD's regional program for Latin America and the Caribbean and will produce a country-level multidimensional assessment with an emphasis on productivity. On May 21, 2019, Ecuador became a member of the OECD Development Centre.

On March 13, 2019, the Republic gave UNASUR formal notice of Ecuador's application to terminate its membership in UNASUR. On March 22, 2019 President Moreno met with other presidents of South America in Chile to discuss the creation of the *Foro para el Progreso y Desarrollo de América Latina* ("Forum for Latin America's Progress and Development" or "PROSUR"), an initiative by the Chilean and Colombian presidents for a new regional organization that would replace UNASUR. On September 17, 2019, the National Assembly voted in favor of denouncing UNASUR's constitutive treaty, enabling President Moreno to formally withdraw Ecuador from the international organization in November 2019.

Data Breach

On September 11, 2019, an internet security firm issued a report that stated that it had uncovered a major data breach of personal information of Ecuador's population contained on an unsecured server maintained by a marketing firm. According to the report, the breach may involve personal information with respect to the entire Ecuadorian population and information leaked included information contained in government registries and records, including identification numbers and records and home addresses. The Attorney General and other government officials have confirmed the breach and launched an investigation. Following the data breach, on September 19, 2019, the President submitted to the National Assembly a draft law on protection of personal data, currently under review and debate. On October 3, 2019, the National Assembly's International Relations Commission approved initiating an investigation into the data breach. As of the date of this Offering Circular, this investigation had not yet concluded.

The Inter-American Development Bank

Overview

The purpose of the IDB is to improve lives in Latin America and the Caribbean by contributing to the acceleration of the process of economic and social development of the regional member countries, individually and collectively. The IDB's objective is to achieve economic and social development in a sustainable climate-friendly way. The IDB's current focus areas include three development challenges: social inclusion and inequality, productivity and innovation, and economic integration; and three cross-cutting issues: gender equality and diversity, climate change and environmental sustainability, and institutional capacity and the rule of law. The IDB is an international institution established in 1959, pursuant to the IDB Agreement, and is owned by its member countries. These members include 26 borrowing member countries and 22 non-borrowing member countries. The five largest members by shareholdings (with their share of total voting power) are the United States (30.0%), Argentina (11.4%), Brazil (11.4%), Mexico (7.3%) and Japan (5.0%).

The IDB makes loans and guarantees to the governments, as well as governmental entities, enterprises, and development institutions of its borrowing member countries to help meet their development needs. In the case of loans and guarantees to borrowers, other than national governments or central banks, the IDB follows the policy of requiring a joint and several guarantee engaging the full faith and credit of the national government. Loans and guarantees may also be made directly to other eligible entities carrying out projects in the territories of borrowing member countries, including private sector entities or sub-sovereign entities, without a sovereign guarantee and in all sectors (subject to an exclusion list), provided they meet the IDB's lending criteria. The IDB also provides financing to borrowing member countries for non-reimbursable and contingent recovery assistance that is aligned with its overall strategy for the region.

All the powers of the IDB are vested in the Board of Governors, which consists of one Governor and one Alternate Governor appointed by each member country. The Board of Executive Directors consists of 14 Directors: one appointed by the United States, on elected by the Governor of Canada, three elected by the Governors for the non-regional member countries, and the remaining nine elected by the Governors for the borrowing member countries.

The Board of Governors has delegated to the Board of Executive Directors all its powers except certain powers reserved to the Governors under the IDB Agreement. All matters before the Board of Governors and the Board of Executive Directors are decided by a majority of the total voting power of the IDB, except in certain cases provided in the IDB Agreement that require a higher percentage.

Ecuador - Selected Economic Indicators

	For the Year Ended December 31,					For the Nine Months Ended September 30,	
	2014	2015	2016	2017	2018	2018	2019
	(in millions of U.S. dollars, except percentages)						
The Economy							
Nominal GDP	101,726	99,290	99,938	104,296	107,562	80,351	81,273
Real GDP [(1)]	70,105	70,175	69,314	70,956	71,871	53,787	54,083
Real GDP growth	3.8%	0.1%	-1.2%	2.4%	1.3%	1.5%	0.6%

	For the Year Ended December 31,					For the Twelve Months Ended November 30,	
	2014	2015	2016	2017	2018	2018	2019
Annual inflation	3.67%	3.38%	1.12%	-0.20%	0.27%	0.35%	0.04%

	As of December 31,					As of December 31,	
	2014	2015	2016	2017	2018	2018	2019
	(in millions of U.S. dollars)						
International Reserves[(2)]	3,949	2,496	4,258	2,451	2,677	2,677	3,397.1

	For the Year Ended December 31,					For the Nine Months Ended September 30,	
	2014	2015	2016	2017	2018	2018	2019
	(in millions of U.S. dollars)						
Balance of Payments [(5)]							
Exports	26,596.5	19,048.7	17,425.4	19,618.3	22,122.8	16,654.8	17,108.6
Imports	-26,660.0	-20,698.5	-15,858.1	-19,306.8	-22,385.8	-16,471.6	-16,572.1
Trade balance	-63.5	-1,649.8	1,567.3	311.4	-263.0	183.2	536.5
Services balance	-1,170.7	-805.2	-1,054.5	-1,103.1	-710.7	-518.2	-665.1
Current account surplus/deficit of the balance of payments	-668.7	-2,221.0	1,321.1	-491.8	-1,488.1	-604.0	-380.5

	For the Year Ended December 31,					For the Nine Months Ended September 30,	
	2014	2015	2016	2017	2018	2018	2019
The Economy							
Unemployment Rate[3]	3.80%	4.77%	5.20%	4.62%	3.69%	4.03%	4.86%

	For the Year Ended December 31,					For the Ten Months Ended October 31	
	2014	2015	2016	2017	2018	2018	2019
	(in millions of U.S. dollars, except percentages)						
Non-Financial Public Sector							
Total revenues	39,032	33,322	30,314	33,426	38,865	31,835	30,951
Total expenditures	44,346	39,262	37,628	38,079	40,166	31,292	30,707
Surplus/Deficit	-5,314	-5,940	-7,314	-4,653	-1,300	543	245
As % of GDP [1]	-5.2	-6.0	-7.4	-4.5	-1.2	n/a	n/a
General State Budget							
Total revenues	20,381	20,345	18,556	18,170	20,233	16,365	16,137
Total expenditures	26,794	24,285	24,103	24,312	24,154	18,435	18,933
Surplus/Deficit	-6,413	-3,941	-5,548	-6,142	-3,921	-2,070	-2,796
As % of GDP [1]	-6.3	-4.0	-5.6	-6.0	-3.6	n/a	n/a

Public Debt [4]

	As of December 31,					As of November 30,
	2014	2015	2016	2017	2018[6]	2019
	(in millions of U.S. dollars, except percentages)					
Aggregate Total Debt	30,140	32,771	38,137	46,536	48,410	56,781
Aggregate Debt to GDP Ratio	29.6%	33.0%	38.2%	44.6%	46.5%[6]	52.0%[6]

(1) Real GDP measures the Gross Domestic Product of Ecuador minus the effect of inflation. The Central Bank of Ecuador uses 2007 as its base year for all real number calculations. GDP Information is from the Central Bank Quarterly Bulletin for the Third Quarter of 2019. Percentages of GDP are calculated on the basis of nominal GDP.

(2) Data corresponds to freely disposable International Reserves. Before dollarization, Ecuador kept international monetary reserves with the aim of supporting the exchange rate of the sucre. Currently, Ecuador keeps freely disposable International Reserves, whose variations are explained by the change in the deposits from Ecuador's financial institutions and non-financial public sector institutions held in the Central Bank. Beginning on August 9, 2016, due to methodological revisions, figures were recalculated, due to the existence of amounts registered in the account for obligations with the IMF that should be registered in the external indebtedness account.

(3) Unemployment figures are based on figures from the National Institute of Statistics as a percentage of the economically active population.

(4) Debt figures as of November 30, 2019 are based on information from the Ministry of Economy and Finance's November 2019 Debt Bulletin under the New Methodology, including oil presales, and figures as of December 31 are based on information from the Ministry of Economy and Finance's March 2019 Debt Bulletin.

(5) Balance of payments data is published by the Central Bank on an annual and quarterly basis.

(6) Debt to GDP percentages for December 2018 and November 2019 are calculated based on the Ministry of Economy and Finance's estimate of projected GDP, which differs from look-back data from the Central Bank.

The Offering

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.

Terms of the Notes

Issuer ..... The Republic of Ecuador.

Issue Amount ..... U.S.$400,000,000.

Securities Offered ..... U.S.$400,000,000 principal amount of 7.25% Social Housing Notes due 2035.

Issue Format ..... Rule 144A/Regulation S.

Issue Price ..... 100.000% plus accrued interest, if any, from January 30, 2020.

Issue Date ..... January 30, 2020.

Maturity Date ..... January 30, 2035.

Principal Payments ..... Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed in semi-annual installments, commencing in July 30, 2020 in accordance with the amortization schedule as set out below:

Scheduled Payment /Amortization Date	Scheduled Principal Payment/ Amortization Amount	Outstanding Principal Amount of the Notes
30-Jul-20	0.00	400,000,000.00
30-Jan-21	0.00	400,000,000.00
30-Jul-21	25,000,000.00	375,000,000.00
30-Jan-22	25,000,000.00	350,000,000.00
30-Jul-22	29,000,000.00	321,000,000.00
30-Jan-23	29,000,000.00	292,000,000.00
30-Jul-23	35,000,000.00	257,000,000.00
30-Jan-24	35,000,000.00	222,000,000.00
30-Jul-24	9,000,000.00	213,000,000.00
30-Jan-25	9,000,000.00	204,000,000.00
30-Jul-25	2,000,000.00	202,000,000.00
30-Jan-26	2,000,000.00	200,000,000.00
30-Jul-26	2,000,000.00	198,000,000.00
30-Jan-27	2,000,000.00	196,000,000.00
30-Jul-27	2,000,000.00	194,000,000.00
30-Jan-28	2,000,000.00	192,000,000.00
30-Jul-28	3,500,000.00	188,500,000.00
30-Jan-29	3,500,000.00	185,000,000.00
30-Jul-29	5,500,000.00	179,500,000.00
30-Jan-30	5,500,000.00	174,000,000.00
30-Jul-30	9,000,000.00	165,000,000.00
30-Jan-31	9,000,000.00	156,000,000.00
30-Jul-31	10,000,000.00	146,000,000.00

30-Jan-32	10,000,000.00	136,000,000.00
30-Jul-32	25,000,000.00	111,000,000.00
30-Jan-33	25,000,000.00	86,000,000.00
30-Jul-33	25,000,000.00	61,000,000.00
30-Jan-34	25,000,000.00	36,000,000.00
30-Jul-34	18,000,000.00	18,000,000.00
30-Jan-35	18,000,000.00	0.00

On each principal payment date, the record holders of the Notes will be entitled to receive in the aggregate a principal payment equal to the principal payment amount corresponding to such payment date set forth in the preceding table (for each payment date, as such amount may be decreased as a result of the cancellation of Notes, including as a result of a redemption as described under "*Description of the Notes—Optional Redemption.*" See "*Description of the Notes – General Terms of the Notes*").

Interest ..... 7.25% per annum, computed on the basis of a 360-day year of twelve 30 day months.

Interest Payment Dates..... Each January 30 and July 30 of each year, commencing on July 30, 2020.

Form..... The Notes will be initially represented in the form of global notes, without coupons, registered in the nominee name of the common depositary for Euroclear and Clearstream for the accounts of its participants.

In certain circumstances (including if requested at any time by any holder of the Notes or by a party authorized or instructed to act on its behalf (along with providing evidence satisfactory to the Trustee of its authority or instruction)) some or all of a holder's interest in the Notes in global form may be converted into Notes in definitive form. For such purposes, the Republic will pre-execute 25 Definitive Notes ("Pre-Executed Definitive Notes") on the issue date and deposit those Pre-Executed Definitive Notes with the Trustee.

Whenever Notes in definitive form, are required to be issued and delivered in accordance with the terms of the Indenture, the Trustee may authenticate one or more Pre-Executed Definitive Notes for such purpose (or, if the Trustee is not holding any Pre-Executed Definitive Notes at the relevant time, the Republic will be required to execute such Notes in definitive form as required in accordance with the terms of the Indenture). The Notes in definitive form will not (except in limited circumstances) benefit from the Guarantee.

Denominations..... The Republic will issue the Notes only in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Guarantee..... The IDB will grant the Guarantee to the Trustee on behalf of holders (holding a beneficial interest in the Notes in global form) up to the Maximum Guaranteed Amount (the "Maximum Guaranteed Amount") to support the Notes. The terms and conditions of the Guarantee will be contained in the Guarantee Agreement. The maximum amount of the Guarantee issued and outstanding at any time will not exceed the Maximum

	Guaranteed Amount. If at any time while the Guarantee is in effect, Ecuador fails to make a scheduled debt service payment then guaranteed by the IDB and the Trustee delivers a Demand Notice (as defined below), (i) the IDB will make a payment to the Trustee pursuant to the terms of the Guarantee, in an amount up to the lower of (x) the amount stated in the Demand Notice and (y) the then-outstanding Maximum Guaranteed Amount, and (ii) the Maximum Guaranteed Amount will be reduced in the amount of the IDB's payment to the Trustee. The Guarantee and Indenture will allow the Trustee to have the flexibility to claim partial amounts in a Demand Notice. The Guarantor will pay any scheduled principal and interest other than in the case of an Optional Redemption of the Notes. Any amounts drawn under the Guarantee will not be reinstated, notwithstanding any reimbursement that the IDB receives from Ecuador in respect of amounts paid under the Guarantee. The Guarantee will not become due and payable prior to the scheduled debt service payment (plus any applicable grace period under the Guarantee Agreement) due to the occurrence of an event of default under the Notes which results in an acceleration of the Notes other than if the event of default is a Guarantor Event of Default (see "*Annex A—The Guarantee Agreement*"). If the Notes are accelerated but no Guarantor Event of Default has occurred, the Guarantee will only cover scheduled payment amounts to be made by the Republic on their originally scheduled payment dates. See "*Annex A—The Guarantee Agreement*" for further details regarding the Guarantee.
Ranking.....	The Notes will be general, direct, unsecured, unsubordinated and unconditional obligations of Ecuador, will be backed by the full faith and credit of Ecuador and will rank equally in terms of priority with Ecuador's External Indebtedness (other than the Excluded Indebtedness), *provided* that, such ranking is in terms of priority only and does not require that Ecuador make ratable payments on the Notes with payments made on its other External Indebtedness.
Ranking of the Guarantee.....	The obligations of the IDB under the Guarantee will constitute direct, unsecured obligations of the IDB that will rank equally, without any preference among themselves, with all other unsecured and unsubordinated Indebtedness of the IDB; *provided* that such ranking is in terms of priority only and does not require that the IDB make ratable payments on the Notes with payments made on its other Indebtedness. "Indebtedness" under the Guarantee will mean (a) all indebtedness of or guaranteed by the IDB for or in connection with borrowed money, and (b) all obligations of or guaranteed by the IDB, evidenced by debt securities, debentures, notes or other similar instruments. It is understood that "Indebtedness" under the Guarantee will not include obligations arising from commercial agreements not having the commercial effect of a borrowing.
Withholding Tax and	Unless otherwise required by law, Ecuador and the Guarantor will make all principal and interest payments on the Notes or the Guarantee without

Additional Amounts	withholding or deducting any present or future taxes imposed by Ecuador or any of its political subdivisions or taxing authorities. If Ecuador or the Guarantor (as applicable) is required by law to deduct or withhold taxes, except to the extent provided for in "*Description of the Notes—Additional Amounts*," Ecuador or the Guarantor (as applicable) will pay the holders of the Notes such additional amounts as may be necessary to ensure that they receive the same amount as they would have received without any withholding or deduction.
Representations and Covenants	The Republic will agree to comply with, among others, the following covenants: a) The Republic will ensure that the proceeds of the Notes are initially received in the sole Treasury account of the Republic at the Central Bank and it is expected that such proceeds will be transferred immediately to a trust account established for the purposes of financing its social housing by MIDUVI following the guidelines of the ROP. b) The Republic will obtain and maintain in full force and effect all Ecuadorian Authorizations necessary under the laws of Ecuador for the execution and delivery of, and performance by the Republic under, the Notes and the Indenture or for their validity or enforceability, and take all necessary and appropriate Governmental and administrative action in Ecuador in order for Ecuador to be able to make all payments to be made by it under the Notes and the Indenture. c) The Republic will ensure that at all times its obligations under the Notes are general, direct, unsecured, unsubordinated and unconditional obligations of Ecuador and will be backed by the full faith and credit of Ecuador and ensure that the Notes will rank equally in terms of priority with Ecuador's External Indebtedness (other than the Excluded Indebtedness), *provided* that, such ranking is in terms of priority only and does not require that the Republic make ratable payments on the Notes with payments made on its other External Indebtedness. d) The Republic will use its reasonable best efforts to list and thereafter to maintain the listing of the Notes on the Luxembourg Stock Exchange. e) The Republic will not create or suffer to exist, or permit the Central Bank to create or suffer to exist, any Lien upon any of its present or future assets or revenues to secure or otherwise provide for the payment of any External Indebtedness of Ecuador or the Central Bank unless, on or prior to the date such Lien is created or comes into existence, the obligations of the Republic under the Notes and the Indenture are secured equally and ratably with such External Indebtedness, subject to certain exceptions.
Events of Default	The Notes will contain, among others, the following events of default, the occurrence of which may result in the acceleration of the Republic's obligations under the Notes prior to maturity:

a) The Republic fails, on the applicable payment date, to make any payment on the Notes (unless such non-payment is due to an administrative or technical error and is remedied within five (5) Business Days of the date when such payment is due), provided that, any Event of Default that occurs under this sub-paragraph as a result of the non-payment of any amount by the Republic shall be deemed to be cured if, following such non-payment by the Republic, the Guarantor pays an amount to the Trustee under the Guarantee (in accordance with the terms of the Guarantee Agreement) which is equal to the amount that was not paid by the Republic (and, as a result of such payment under the Guarantee, no further amounts are immediately due and payable by the Republic on the Notes).

b) The Republic fails to perform or comply with any other obligation under the Notes or under the Indenture and Ecuador does not or cannot cure that failure within 30 days after it receives written notice from the Trustee or holders of at least 25% of the Notes then outstanding regarding that default.

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

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

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

f) The Republic denies, repudiates or contests any of its obligations under the Notes or the Indenture in a formal administrative, legislative, judicial or arbitral proceeding or any constitutional provision, treaty, law, regulation, decree, or other official pronouncement of the Republic, or any final decision by any court in the Republic having jurisdiction, renders it unlawful for the Republic to pay any amount due on the Notes or to perform any of its obligations under the Notes or the Indenture.

g) The Republic fails to maintain its membership in the IMF or ceases to be eligible to use the resources of the IMF.

h) The Republic fails to maintain its membership in, or its eligibility to use the general resources or equivalent of, any of CAF, the *Fondo Latinoamericano de Reservas* ("FLAR") and the IDB.

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

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

k) For so long as the Guarantee remains in effect and has not otherwise terminated in accordance with the terms of the Guarantee Agreement, the Guarantor fails to pay any amount when due and payable thereunder in accordance with the terms of the Guarantee Agreement and such failure is not cured within three (3) Business Days from the date such amount was due.

l) The validity of the Guarantee is contested by the Guarantor and/or the Guarantor denies any of its obligations thereunder (whether by a general suspension of payments or otherwise).

m) The Guarantor terminates (or seeks to terminate) the Guarantee other than in accordance with section 2.10 (*Termination Events*) of the Guarantee Agreement.

If any of the above events of default occurs and is continuing, the Trustee may, and, at the written direction of (i) holders of at least 25% of the aggregate principal amount of the then-outstanding Notes r (ii) if such event of default is continuing for a period of 90 days or more, holders of at least 10% of the aggregate principal amount of the then-outstanding Notes, shall, declare the principal amount of all the Notes, to be immediately due and payable by notifying the Republic and the IDB in writing. The Notes will become due and payable on the date such written notice is received by or on behalf of Ecuador, unless prior to such date all events of default in respect of all of the Notes have been cured or waived by the holders of not less than a majority of the principal amount of the then-outstanding Notes as provided in the Notes or in the Indenture. For more information, see "*Description of the Notes—Events of Default.*"

Failure by the Republic to make a payment with respect to the Notes on the applicable payment date (unless such non-payment is due to an administrative or technical error and is remedied within 5 Business Days of when such payment is due) shall constitute a “Guarantor Event of Default.”

In the event that the Notes are accelerated, such accelerated amounts shall not be covered by the IDB Guarantee, and the IDB Guarantee will continue to cover the remaining scheduled debt payments on the Notes on their

	original payment dates up to the Maximum Guaranteed Amount.
Use of Proceeds.....	The Republic will use the proceeds of the Notes in accordance with the limitations of the Public Planning and Finance Code. Proceeds of the Notes will initially be received in the Republic's sole Treasury account at the Central Bank and it is expected that such proceeds will be transferred immediately to a trust account established for the purposes of financing its social housing program (the "Program") as set forth in the Operating Manual for the Program in Social Housing (the "ROP") at https://www.finanzas.gob.ec/bono-social (the "Program Website"). This website is not incorporated by reference into this Offering Circular. Payments and defaults on the underlying mortgage portfolios or delinquency rates or increases in such rates will not affect payment on the Notes as the Republic's obligations on the Notes is not conditioned on payments on the underlying mortgage portfolios. The Republic has appointed Vigeo Eiris, a provider of environmental, social and governance research and analysis, to evaluate the Republic's social bond framework and the alignment thereof with relevant industry standards, including International Capital Market Association ("ICMA")'s 2018 Social Bond Principles. The results are documented in Vigeo Eiris' Second Party Opinion which is available on the Program Website. In particular, Vigeo Eiris has confirmed that the Program's framework aligns with the four pillars of the ICMA's 2018 Social Bond Principles, and contributes to the Republic's commitments to the realization of the Republic's poverty reduction and access to decent and affordable housing targets. For more information, see "*Use of Proceeds*."
Optional Redemption	The Republic will have the right at its option upon giving (1) not less than 30 days' nor more than 60 days' notice to the holders of the Notes and (2) not less than 30 days' notice to the Trustee, to redeem the Notes, in whole (and not in part only), at any time or from time to time prior to their maturity, at a redemption price (the "Optional Redemption Amount ") equal to the greater of (i) 100% of the principal amount of such Notes and (ii) the sum of the present value of each remaining scheduled payment of principal and interest thereon (without double counting of any interest accrued and paid to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 50 basis points (the "Make-Whole Amount"), plus in each case accrued and unpaid interest to the redemption date on the Notes to be redeemed on such date (an "Optional Redemption"). If the Republic requires the Trustee to send notice of any Optional Redemption to the Holders, then the Republic shall be required to give the Trustee not less than 35 days' notice (rather than 30 days' notice) of such Optional Redemption.
Collective Action Clauses.....	The Notes will contain provisions, commonly known as "collective action clauses," regarding acceleration of the Notes and voting on future amendments, modifications and waivers to the terms and conditions of the Notes. These provisions, which are described in the sections entitled "*Description of the Notes—Events of Default*" and "*Description of the*

	Notes—Modifications—Collective Action," differ from those applicable to certain of the Republic's outstanding External Indebtedness (as defined herein). Under such provisions, the Republic may: (a) amend the payment provisions of the Notes and certain other reserved matters with the consent of the holders of 75% of the aggregate amount of the outstanding Series of Notes and other non-reserved matters with the consent of the holders of 66 ⅔% of the aggregate amount of the Series of Notes; (b) make reserved matter modifications affecting two or more series of debt securities with the consent of (x) holders of at least 66⅔% of the aggregate principal amount of the outstanding debt securities of all series that would be affected by that reserved matter modification (taken in aggregate) and (y) holders of more than 50% of the aggregate principal amount of the outstanding debt securities of each affected series (taken individually); or (c) make reserved matter modifications affecting two or more series of debt securities with the consent of holders of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series (taken in aggregate), *provided* that the Uniformly Applicable condition is satisfied, as more fully described in "*Description of the Notes—Modifications—Collective Action*." The customary definition of "Reserved Matters" in the Notes will be expanded to include specific references to changes to the Guarantee. No amendment, modification or waiver of any provision of the Indenture or the Notes that adversely affect the obligations of the Guarantor thereunder may be made without the prior written consent of the Guarantor, such consent not to be unreasonably withheld and is subject to deemed consent after 10 Business Days of such written consent being sought. Any amendment, modification or waiver of any provision of the Guarantee Agreement will require prior written consent of the Guarantor pursuant to the terms of the Guarantee Agreement. The Notes also contain provisions that limit the making of certain reserved matter modifications that would impact the Guarantee, unless all other series of debt securities that would be affected by that reserved matter modification also benefit from a guarantee from either the Guarantor or another multilateral institution with at least the same credit rating as the Guarantor.
Transfer Restrictions	The Notes have not been and will not be registered under the Securities Act, and will be subject to restrictions on transferability and resale. See "*Transfer Restrictions*."
Expected Listing.....	Application has been made to list the Notes on the Luxembourg Stock Exchange and to have the Notes admitted to trading on the Euro MTF Market.
Absence of a Public Market for the Notes.....	The Notes will be a new issue of securities, and there is currently no established market for the Notes. No assurance can be given as to how liquid the trading market for the Notes will be. The Sole Global Coordinator, Bookrunner and Social Bond Structuring Agent does not intend to make a secondary market for the Notes.
Trustee and Registrar	The Bank of New York Mellon.

Paying Agent and Account Bank	The Bank of New York Mellon, London Branch.
Governing Law.....	The Notes will be governed by the laws of the State of New York, except for the terms concerning submissions to arbitration which will be governed by English law. The Guarantee Agreement will be governed by the laws of the State of New York.
Submission to Arbitration by the Issuer.....	(a) Any dispute, controversy or claim of any nature arising out of, relating to or having any connection with the Indenture, including any dispute as to the existence, validity, interpretation, performance, breach, termination or consequences of the nullity of the Indenture (a "Dispute "), where the Republic is either a party, claimant, respondent or otherwise is necessary thereto, will not be referred to a court of any jurisdiction and will instead be referred to and finally resolved by arbitration under the LCIA Rules as at present in force as modified by the Indenture which LCIA Rules are deemed to be incorporated by reference. The provisions in the LCIA Rules regarding an Emergency Arbitrator shall not apply. In particular: (i) There will be three arbitrators. (ii) Each arbitrator will be an English or New York qualified lawyer of at least 15 years' standing with experience in relation to international banking or capital markets disputes. At least one of those arbitrators will be a lawyer qualified in New York. (iii) If there are two parties to the Dispute, each party will be entitled to nominate one arbitrator. If there are multiple claimants and/or multiple respondents, all claimants and/or all respondents will attempt to agree upon their respective nomination(s) such that the claimants will together be entitled to nominate one arbitrator and the respondents will together be entitled to nominate one arbitrator. If any such party or multiple parties fail to nominate an arbitrator within thirty (30) days from and including the date of receipt of the relevant request for arbitration, an arbitrator will be appointed on their behalf by the LCIA Court in accordance with the LCIA Rules and applying the criteria at clause (ii) above. In such circumstances, any existing nomination or confirmation of the arbitrator chosen by the party or parties on the other side of the proposed arbitration will be unaffected, and the remaining arbitrator(s) will be appointed in accordance with the LCIA Rules. (b) The third arbitrator and chairman of the arbitral tribunal will be appointed by the LCIA Court in accordance with the LCIA Rules and applying the criteria at clause (ii) above. (c) The seat, or legal place, of arbitration will be London, England. (d) The language to be used in the arbitration will be English. The arbitration provisions of the Indenture will be governed by English law. (e) Without prejudice to any other mode of service allowed by law, the

Republic thereby appoints Law Debenture Corporate Services Limited as its agent under the Indenture for service of process in relation to any proceedings before the English courts in relation to any arbitration contemplated by the Indenture or in relation to recognition or enforcement of any such arbitral award obtained in accordance with the Indenture.

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

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

Any Dispute between the Trustee and any holders or holders only and where the Republic is not a party, claimant, respondent or otherwise is necessary thereto, will be subject to the non-exclusive jurisdiction of any New York state or United States federal court sitting in the Borough of Manhattan, the City of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to the Indenture (except actions or proceedings arising under or in connection with U.S. federal and state securities laws), and the Trustee and the holders will irrevocably submit to such jurisdiction and agree that all claims in respect of such Dispute may be heard and determined in such New York state or United States federal court.

Submission to Arbitration by the Guarantor.....

The Guarantor has not consented to the jurisdiction of any court in connection with actions arising out of, relating to or having any connection with the Guarantee and has submitted itself to arbitration under the LCIA Rules. The Guarantor has agreed to the following arbitration provisions (the arbitration provisions are governed by New York law) as part of the terms and conditions of the Guarantee Agreement:

Any Dispute where the Republic is either a party, claimant, respondent or is otherwise necessary thereto, will not be referred to a court of any jurisdiction and will instead be referred to and finally resolved by arbitration under the LCIA Rules as at present in force and as modified by the Indenture, in which LCIA Rules are deemed to be incorporated by reference. The provisions in the LCIA Rules regarding an Emergency Arbitrator shall not apply. In particular:

(a) There will be three arbitrators.

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

(c) Within 30 days after the filing of the arbitration, the Paying Agent and the Trustee shall jointly appoint one arbitrator and the Guarantor shall appoint one arbitrator. If any such party or multiple parties fail to nominate an arbitrator within thirty (30) days from and including the date of receipt of the relevant request for arbitration, an arbitrator shall be appointed on their behalf by

the LCIA Court in accordance with the LCIA Rules and applying the criteria at subparagraph (ii) above. In such circumstances, any existing nomination or confirmation of the arbitrator chosen by the party or parties on the other side of the proposed arbitration shall be unaffected, and the remaining arbitrator(s) shall be appointed in accordance with the LCIA Rules.

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

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

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

Scope of Sovereign Immunity of the Issuer ..... The execution and delivery of the Indenture by the Republic constitutes, and the Republic's performance of and compliance with its obligations will constitute, an act of commercial public credit as provided under the laws of the Republic. To the extent permitted by law, the Republic will irrevocably and unconditionally agree that:

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

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

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

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

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

The Republic irrevocably waives, to the fullest extent permitted by law, any requirement or provision of law that requires the posting of a bond or

other security as a condition to the institution, prosecution or completion of any action or proceeding.

An arbitral award obtained in accordance with the Indenture will be conclusive and may be enforced in any jurisdiction in accordance with the New York Convention or in any other manner provided for by law.

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

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

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

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

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

(e) funds managed in the national Treasury Account;

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

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

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

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

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

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

Scope of Immunity of the Guarantor ..... See "*The Inter-American Development Bank*" and "*Legal Status, Immunities and Privileges*".

RISK FACTORS

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

Risk Factors Relating to the Notes

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

The Notes will not have any established trading market when issued, and there can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that it will be maintained. If an active trading market for the Notes does not develop or is not maintained, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and the market or trading price and liquidity of the Notes may be adversely affected. Even if a trading market for the Notes develops, the Notes may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, and the financial condition of Ecuador. Although application has been 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, there can be no assurance that such application will be accepted or that an active trading market will develop. Illiquidity may have a material adverse effect on the market value of the Notes.

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

Application has been 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.

The use of proceeds may not meet investors' sustainable investment criteria

The Republic intends to apply the proceeds from the Notes specifically to finance social housing projects. In respect of any Notes issued with a specific use of proceeds, such as these "Social Housing Notes", there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor.

Prospective investors should have regard to the information set out in this Offering Circular regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in the Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Republic, or any other person, that the use of such proceeds for any social projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements or meet investment criteria or guidelines with which such investor or its investments are required to comply or that no adverse social or other impacts will occur during the implementation of such projects. Furthermore, it should be noted that there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "social" project or as to what precise attributes are required for a particular project to be defined as "social", nor can any assurance be given that such a clear definition or consensus will develop over time.

In the event that the Notes are listed or admitted to trading on any dedicated "social" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Republic or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements or meets investment criteria or guidelines with which such investor or its investments are required to comply. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. No representation or assurance is given or made by the Republic or any other person that any such listing or admission to trading will be obtained or maintained in respect of the Notes.

Proceeds of this Notes will initially be received in the Republic's sole Treasury account at the Central Bank, it is expected that the proceeds of the Notes will be transferred immediately and held in a trust account established for the purposes of financing social housing (see "*—Use of Proceeds*"). Pending disbursement from the trust account, and subject to maintaining in the trust account sufficient funds to cover participating financial institutions' projected funding demands for six months, the proceeds of the Notes may be held in permitted investments, which could include CETES issued by the Ministry of Economy and Finance, CETES issued by other public financial entities and bonds issued by Ecuador. Fluctuations in the value of such investment could reduce the amount on deposit in the trust account and therefore the amount available to finance social housing. While it is the intention of the Republic to apply the proceeds of the Notes as specified in this Offering Circular, there can be no assurance that the use of proceeds from the Notes will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that such proceeds will be totally or partially disbursed for such projects. Any such event or failure by the Republic will not constitute an event of default under the Notes.

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

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

The Notes also contain provisions that limit the making of certain reserved matter modifications that would impact the Guarantee, unless all other series of debt securities that would be affected by that reserved matter modification also benefit from a guarantee from either the Guarantor or another multilateral institution with at least the same credit rating as the Guarantor.

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

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

On February 18, 2014, the Republic of Argentina filed a petition in the U.S. Supreme Court seeking review of the Second Circuit's August 2013 ruling. On June 16, 2014, the U.S. Supreme Court denied the Republic of Argentina's petition for review, thereby letting stand the Second Circuit's August 2013 ruling. On July 22, 2014, the

U.S. District Court for the Southern District of New York enforced the ruling and barred the international trustee from making a U.S.$539 million payment to bondholders of the new performing notes that Argentina issued in exchange for the defaulted notes. On the same date, the U.S. District Court ordered Argentina to undergo continuous mediation and settlement talks with holders of the defaulted notes.

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

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

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

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

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

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

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

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

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

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

Certain Latin American economies have historically had periods and cycles of political instability and social unrest. During October and November 2019, Bolivia, Chile and Ecuador experienced protests, violence and social upheaval. Such instability and social unrest may result from numerous factors such as continued high level of income inequality, high unemployment and a generalized lack of confidence in political and judicial institutions. These structural factors are complex and have proven to be difficult to overcome. Accordingly, there can be no assurance that such instability and social unrest will not continue in the future and even if the current cycle subsides, that the cycles of instability and social unrest will not recur in the future. Such continued unrest or recurrence in the future could have a material adverse effect on the trading market of the Notes and the value of the Notes.

The effects of the United Kingdom's vote to exit from the European Union and its impact on the economy and fiscal conditions of Ecuador and the trading market of the Notes are uncertain.

On June 23, 2016 the United Kingdom voted to leave the European Union in a referendum (the "Brexit Vote") and on March 29, 2017 the United Kingdom gave formal notice (the "Article 50 Notice") under Article 50 of the Treaty on European Union ("Article 50") of its intention to leave the European Union.

The timing of the United Kingdom's exit from the European Union remains subject to some uncertainty. Article 50 provides that the European Union treaties will cease to apply to the United Kingdom two years after the Article 50 Notice unless a withdrawal agreement enters into force earlier or the two year period is extended by unanimous agreement of the United Kingdom and the European Council.

The terms of the United Kingdom's exit from the European Union are also unclear and will be determined by the negotiations taking place following the Article 50 Notice. It is possible that the United Kingdom will leave the European Union with no withdrawal agreement in place if no agreement can be reached and approved by all relevant parties before the deadline, as extended. If the United Kingdom leaves the European Union with no withdrawal agreement, it is likely that a high degree of political, legal, economic and other uncertainty will result.

On March 23, 2018, the European Union announced that an agreement in principle had been reached on a transition period running from the United Kingdom's withdrawal from the European Union in March 2019 to the end of 2020, during which the United Kingdom would retain access to the European Union Internal Market and Customs Union on its current terms. This agreement is only political in nature and will not be legally binding until any withdrawal agreement is formally agreed and ratified.

On November 25, 2018, the European Council endorsed the withdrawal agreement laying out the terms of the relationship between the European Union and the United Kingdom during the transition period. Ratification by the respective European Union and United Kingdom parliaments is required. On October 28, 2019, the European Union agreed to extend the deadline for withdrawal until January 31, 2020. As a result, the United Kingdom will need to continue negotiations with the remaining European Union member states regarding the terms of the United Kingdom's withdrawal from, and the framework for any future relationship with the European Union. There is a risk that the United Kingdom will withdraw from the European Union without a deal. Consequently, there still remains considerable uncertainty as to whether the United Kingdom will leave the European Union without a withdrawal agreement.

The results of the United Kingdom's referendum and the Article 50 Notice have caused, and are anticipated to continue causing, significant new uncertainties and volatility in the global financial markets, which may affect Ecuador and the trading market of the Notes, though exports to the United Kingdom represented less than 1.0% of Ecuador's exports for 2018. These uncertainties could have a material adverse effect on the global economy and Ecuador's economy, fiscal condition or prospects. It is unclear at this stage what the impact of the United

Kingdom's departure from the European Union will ultimately be on the global economy, including Ecuador, or the trading market of the Notes.

On May 15, 2019, Ecuador, together with Peru and Colombia, signed a trade agreement with the United Kingdom to preserve their mutual trade commitments should the United Kingdom exit the European Union. With this trade agreement, the Republic and the United Kingdom intend to replicate their current trade commitments under the Multiparty Trade Agreement with the European Union. This agreement will not enter into force while the Multiparty Trade Agreement continues to apply to the United Kingdom. On October 23, 2019, the Republic and the United Kingdom agreed to temporarily maintain their agreements under the Multiparty Trade Agreement in respect of each other to account for the time between the date the United Kingdom exits the European Union and the entry into force of the trade agreement signed on May 15, 2019.

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

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

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

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

The IDB may be entitled to purchase a portion of the Notes under the Guarantee

Within six months of an event of default occurring, IDB may exercise its right under the Guarantee to purchase a portion of the Notes, at which point a portion of the Notes may be purchased at par plus the amount of interest accrued. Furthermore, under this IDB right to purchase a portion of the Notes, the Notes held by the Guaranteed Holders will be selected for purchase first, with the Notes held by other Holders selected for purchased after.

Holder may be limited in their ability to receive Definitive Notes

Any holder of the Notes or a party authorized or instructed to act on its behalf (along with providing evidence satisfactory to the Trustee of its authority or instruction) at any time may request that some or all of their interest in the Notes in global form be converted into Notes in definitive form. The Notes in definitive form may not be converted back into an interest in the global notes. The Republic will pre-execute 25 Definitive Notes on the issue date and deposit the Pre-Executed Definitive Notes with the Trustee. Whenever Notes in definitive form are required to be issued and delivered in accordance with the terms of the Indenture, the Trustee may authenticate one

or more Pre-Executed Definitive Notes for such purpose (or, if the Trustee is not holding any Pre-Executed Definitive Notes at the relevant time, the Republic will be required to execute such Notes in definitive form as are required in accordance with the terms of the Indenture).

However, because there is a limited number of Pre-Executed Definititive Notes that the Trustee may authenticate without requiring further action from the Republic, there is a risk that where there are no remaining Pre-Executed Definitive Notes, the Trustee will need the Republic to promptly authenticate further definitive notes, which the Republic may not do if it is in default.

Risk Factors Relating to the Guarantee

Holders of the Notes only benefit from a partial guarantee in respect of the Notes, and the Guarantee cannot be accelerated for failure to make scheduled payments under the Notes unless there has been a Guarantor Event of Default.

Holders of the Notes have the benefit of the Guarantee, a partial guarantee under which the IDB will guarantee, up to a Maximum Guaranteed Amount, scheduled payments of interest, payments of principal under the Notes in the event the Republic fails to make payments therefore on the relevant scheduled due dates. The Guarantee will be drawn upon if and to the extent the Republic fails to make scheduled payments until the Termination Date, at which point the Guarantee shall terminate. In addition, the amount of the Guarantee outstanding at any one time is directly proportionate to the amount of Notes outstanding, and any purchase and cancellation of the Notes will result in a pro rata reduction in the amount of the Guarantee available. In the event the Guarantee is fully utilized prior to maturity, the Notes (and payments thereunder) will, thereafter, no longer be guaranteed. Accordingly, holders of Notes' sole recourse will be to the Republic for the payment of any remaining principal and interest due on the Notes.

Further, the Guarantee cannot be accelerated due to the Republic's failure to pay scheduled payments on the Notes unless there has been a Guarantor Event of Default. Therefore, in the event the Notes are accelerated following a Guarantor Event of Default, the holders may elect only to accelerate any amounts of outstanding principal under the Notes in excess of the Maximum Guaranteed Amount and such accelerated payments will not be covered by the Guarantee, and the Guarantee will continue to cover the remaining scheduled debt payments that were not subject to acceleration up to the Maximum Guaranteed Amount (in which case the Guarantee will continue to apply in relation to such reinstated original schedule of payments). See "*Annex A—The Guarantee Agreement*".

The ability to utilize the Guarantee is dependent on a Demand Notice being validly submitted by the Trustee to the IDB.

The IDB is only required to make payments pursuant to the Guarantee if a Demand Notice is validly submitted to the IDB by the Trustee. Only the Trustee is able to submit a Demand Notice. If the Republic fails to make a payment to the holders of the Notes of any Scheduled Payment Amounts originally payable under the Notes on the relevant payment date, the Trustee may, in accordance with the terms of the Guarantee Agreement, submit a Demand Notice thereunder for any principal or interest which is due and payable and which remains unpaid by the Republic (a "Demand Notice").

The IDB may be subrogated to the rights of holders of the Notes under the Notes and is not required to suspend any claims it may have against the Republic if it makes payments under the Guarantee Agreement.

Upon payment to the Trustee of any amounts under the Guarantee or the Guarantee Escrow Account (as defined in "*Description of the Notes—Certain Defined Terms*"), the IDB will be subrogated to the rights of the holders of the Notes, *provided* that the IDB shall not exercise such right in connection with any amount or payment (i) in respect of which it has been reimbursed by the Republic under the Counter-Guarantee Agreement or (ii) which, following an Early Disbursement Event in respect of which the IDB has deposited the Maximum Guaranteed Amount into the Guarantee Escrow Account, has not been made by the Escrow Agent to the Trustee under the Escrow Agreement. For the avoidance of doubt, any rights that IDB has to receive payments from the Republic

under the Notes (by virtue of it being subrogated to the rights of the holders of the Notes following payments under the Guarantee) shall be *pari passu* with any rights of the holders of the Notes to receive payments from the Republic under the Notes. If the IDB exercises its subrogation rights pursuant to the Guarantee Agreement and the Indenture, the IDB will notify the Trustee of the amounts of any reimbursements it receives from the Republic under the Counter-Guarantee Agreement. The IDB is not required under the terms of the Guarantee to suspend or defer any such claims until all sums due and payable under the Notes have been paid in full. See "*Annex A—The Guarantee Agreement*".

The IDB has the right to purchase the Notes under certain circumstances which could affect the rights of the holders to retain their interests in the Notes.

If any event of default occurs and is continuing under the Notes, at any time between the date such event of default occurs and the date that is six months therefrom, the IDB will have the right to purchase and the holders will have the obligation to sell, pro rata, any outstanding Notes, at par plus any accrued interest, in an amount equal to the Maximum Guaranteed Amount. Upon exercise of the IDB Right to Purchase, the Maximum Guaranteed Amount will be reduced to U.S.$0. The IDB will have this right to repurchase even if a holder would prefer not to sell its interest in the Notes.

The IDB will not gross up any withholding on payments under the Guarantee.

IDB will not be obliged to gross up, or pay any additional amounts in respect of, any payments in respect of the Guarantee and receipts in respect of which any withholding or deduction has been required to be made in respect of any tax. In the event the IDB has to withhold payments under the Guarantee, Guaranteed Holders of the Notes may therefore receive a lower amount.

The Guarantee may be terminated under certain circumstances without the Guaranteed Holders' prior written consent.

The Guarantee may be terminated in certain circumstances. The Guarantee will terminate on the earlier of (i) the date on which all amounts have been paid by Ecuador under the Notes, such that no further amounts are (or may become) payable thereunder; (ii) the date on which the Maximum Guaranteed Amount equals zero; and (iii) the date on which the Guarantee is terminated or cancelled pursuant to an IDB Guarantee Termination Event (as defined below). The Guarantee shall terminate, and any written Demand Notice from the Trustee pursuant to the Guarantee shall be void, if any of the following events (each, an "IDB Guarantee Termination Event") occurs: (a) the holders of the Notes or the Trustee (at the direction of the holders of the Notes under the Indenture) make any amendment, modification or waiver of the Guarantee, the provisions of the Notes and/or the Indenture which adversely affects the rights and the obligations of the IDB, or give any written waiver or consent with respect thereto, without the IDB's prior written consent (with such written consent not to be unreasonably withheld and to be deemed given by the IDB after ten (10) Business Days of such written consent being sought); (b) an Early Disbursement Event (as defined in "*Description of the Notes—Certain Defined Terms*") occurs and the IDB has deposited the Maximum Guaranteed Amount into the Guarantee Escrow Account in the name of the Trustee, for the benefit of the holders of the Notes (holding an interest in the Notes in global form), and providing for payment to the holders of the Notes for the same amounts and subject to the same terms and conditions as under the Guarantee. Any amounts deposited in the Guarantee Escrow Account may be only invested and reinvested in (i) the Goldman Sachs US$ Treasury Liquid Reserves Fund (ISIN: IE00B2Q5LL07). If (i) the Escrow Agent is for any reason unable to invest such amounts in such fund or (ii) such fund ceases to be rated AAA by any rating agency then rating such fund, the Escrow Property shall be invested at the instruction of the Depositor; *provided* that during the term of the Escrow Agreement, the Escrow Property shall only be invested and reinvested by the Escrow Agent in Permitted Investments. "Permitted Investments" means any debt with a maturity not exceeding one hundred and eighty (180) days from the date of acquisition thereof denominated in U.S. Dollars (or to the extent any proceeds used to make such Permitted Investment are required to be released from the Guarantee Escrow Account within a lesser number of days, not exceeding the Business Day falling immediately before the date on which funds are required to be released), issued or directly and fully guaranteed or insured by the United States of America or any agency or Governmental Authority thereof; *provided* that (i) such Permitted Investments are rated AAA by two of Moody's Investor Service

("Moody's"), Standard & Poor's Ratings Group, Inc. ("S&P") and Fitch Ratings Ltd ("Fitch"), (ii) the full faith and credit of the United States of America is pledged in support thereof, (iii) such Permitted Investments are prepayable without penalty at par and (iv) the Escrow Agent is able to hold such Permitted Investments; (c) any assignment by the Trustee of any of its rights and obligations under the Indenture or the Guarantee, which affect the rights and obligations of the IDB under the Guarantee or the provisions of the Notes, without the prior written consent of the IDB (with such written consent not to be unreasonably withheld and to be deemed given by the IDB after ten (10) Business Days of such written consent being sought), provided that no consent of the IDB shall be required (and no Termination Event shall occur) in connection with any assignment to an Approved Assignee (as defined in the Guarantee Agreement) or any assignment in accordance with Section 3.09(c) (*Successors and Assigns*) of the Guarantee Agreement or in connection with the appointment of any successor Trustee under the Indenture. For more information on the Guarantee Agreement, see "*Annex A—The Guarantee Agreement.*"

The Indenture provides that the Trustee will give notice to the IDB of any proposed amendment, modification or waiver of the Guarantee or the Indenture. A failure to do so shall not trigger an Guarantee Event of Default but shall result in a breach of undertaking by the Trustee under the Indenture.

Changes in the value of Permitted Investments made with amounts in the Guarantee Escrow Account may reduce the value of the Guarantee.

Amounts on deposit in the Guarantee Escrow Account may be invested in Permitted Investments. Fluctuations in the value of such Permitted Investments could reduce the amount on deposit in the Guarantee Escrow Account below the Maximum Guaranteed Amount (see "*Summary of the Guarantee Escrow Agreement*"). Such a reduction would reduce the value of the Guarantee.

The IDB's current status and ability to make payments under the Guarantee may change.

The IDB is a multilateral institution rated Aaa by Moody's and AAA by S&P. However, IDB's credit rating or credit profile (including their loan portfolio) may deteriorate. The IDB meeting its obligations under the Guarantee also depends on its willingness to do so, and the IDB could default on the Guarantee or seek to declare its obligations thereunder void (although either of these events would constitute a Guarantor Event of Default in accordance with the terms of the Guarantee).

Changes in creditworthiness of IDB's borrowers may affect IDB's financial condition.

IDB makes loans to its developing member countries, agencies or political subdivisions of such members and to private enterprises carrying out projects in their territories. Changes in the macroeconomic environment and financial markets in these member countries may affect those borrowers' creditworthiness and repayments made to IDB. If these loans are not repaid for any reason, IDB's ability to fulfill its obligations under the Guarantee could be adversely affected.

The IDB has recourse to the Republic through its contractual rights under the Counter-Guarantee Agreement, and if the Republic defaults on its obligations under the Counter-Guarantee Agreement, it could potentially lose access to IDB financing generally, which could have a material adverse impact on the Republic's financial position.

The IDB has entered into the Counter-Guarantee Agreement pursuant to which the Republic is required, among other things, to reimburse the IDB for any payments the IDB makes under the Guarantee (plus interest) within 180 days (or as the IDB and the Republic may otherwise agree). If the Republic fails to pay such amount in accordance with the terms of the Counter-Guarantee Agreement the IDB may suspend, cancel and accelerate other financings with the Republic, as described in "*Summary of Counter-Guarantee Agreement*." Accordingly, should the Republic fail to timely satisfy its obligations under the Counter-Guarantee Agreement, then the Republic would potentially lose access to a significant amount of IDB financing (approximately U.S.$5,502.6 million was outstanding as of November 30, 2019), with adverse consequences on its future borrowing prospects, the IDB being among the Republic's top five creditors. Accordingly, a default by the Republic on its obligations under the

Counter-Guarantee Agreement could have a material adverse impact on the Notes and the Republic's financial position generally. For a summary of the Counter-Guarantee Agreement, see "*Summary of Counter-Guarantee Agreement*". For more information on the IDB, see "*The Inter-American Development Bank*".

The obligations of the Guarantor under the Guarantee Agreement will not be the obligations of any government.

The Guarantee Agreement will be entered into by the Guarantor. The obligations of the Guarantor under the Guarantee Agreement will not be the obligation of any government. No government, and no other entity, will be responsible for payments under the Guarantee or liable to the holders of the Notes in the event of a Guarantor Event of Default.

Risk Factors Relating to Ecuador

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

In 2008, Ecuador defaulted on its interest payments for the 2012 and 2030 Notes (as defined in "*Public Debt—Debt Obligations*" herein) in the aggregate amount of approximately U.S.$157 million and principal payments of approximately U.S.$3,200 million. The 2012 and 2030 Notes were originally issued in exchange for prior debt offerings of the Republic in order to extend the maturity dates of those prior obligations. These defaults followed the publication of a report in 2008 by the Commission of Integral Audit of Public Credit ("CAIC"), a committee composed of representatives from both the Government and private sector organizations and members of civil society. CAIC reviewed Ecuador's debt obligations from 1976 to 2006 and in its report made a number of findings regarding the legitimacy of Ecuador's debt obligations (including the 2012 and 2030 Notes), in particular relating to concerns involving the public assumption of private debt, appropriate authorizations, sovereign immunity, and the relevant economic terms of the debt obligations incurred. After the default, which occurred during the first term of former President Correa's administration, Ecuador offered to repurchase the 2012 and 2030 Notes at a discount to their par value. Holders responded to this offer by tendering substantially all of the 2012 and 2030 Notes. Although some holders continue to hold the defaulted 2012 and 2030 Notes, Ecuador has successfully repurchased additional 2012 and 2030 Notes from remaining holders from 2009 onwards. For more information, see "*Public Debt—Debt Obligations—2012 and 2030 Notes and tender offer*." Ecuador has remained current on its obligation to its other series of sovereign notes including the 2020 Notes, 2022 Notes, 2023 Notes, 2024 Notes, 2026 Notes, 2027 Notes, Second 2027 Notes, 2028 Notes and 2029 Notes (as defined in "*Public Debt—Debt Obligations*" herein), as well as on its other debt obligations as further described in "*Public Debt—External Debt*." To date, no judgments have been issued against the Republic with respect to the 2012 and 2030 Notes and none are pending. Proceedings have been issued against the Republic in two cases. See "*Risk Factors—Risks Factors Relating to Ecuador—Ecuador is involved in a number of legal proceedings and disputes that could result in losses to Ecuador as well as a decrease in foreign investment*." There is a risk that other holders, other than the holders described in "*Public Debt—Debt Obligations—2012 and 2030 Notes and tender offer*," of these defaulted notes may institute proceedings against the Republic and may seek to enforce any judgments obtained by seeking to attach assets of the Republic. Any action by the holders of the 2012 and 2030 Notes, or any further defaults by Ecuador on its sovereign debt obligations, could materially adversely affect the market value of the Notes and the ability of the Republic to make principal and interest payments free of the risk of attachment. Any action by the holders of the 2012 and 2030 Notes making similar *pari passu* arguments as the holders in NML Capital, Ltd. v. Republic of Argentina (see "*Risk Factors—Risk Factors Relating to the Notes—Recent federal court decisions in New York create uncertainty regarding the meaning of ranking provisions and could potentially reduce or hinder the ability of sovereign issuers to restructure their public sector debt*") or any further defaults by Ecuador of its sovereign debt obligations, could materially adversely affect the market value of the Notes and the ability of the Republic to make principal and interest payments free of the risk of attachment.

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

In July 2017, the Office of the Comptroller General headed by Dr. Pablo Celi announced pursuant to *Acuerdo* 024-CG-2017 its intention to conduct the Special Audit, as authorized by Ecuadorian law to examine acts of public entities. The Special Audit examined the sources and uses of various financings, and whether those financings were completed in accordance with the relevant applicable laws, regulations and policies, as more fully described in "*The Republic of Ecuador–Form of Government–Review and Audit by the Office of the Comptroller General*." The Office of the Comptroller General in the CGR Audit Report included: (i) conclusions of the Special Audit conducted; and (ii) recommendations regarding actions related to specific contracts or methodologies (according to the law, these recommendations are mandatory for public entities and cannot be challenged). The Special Audit did not result in the annulment of previous acts, or the invalidation of existing contracts, which may only occur with judicial intervention in a proceeding initiated before Ecuadorian courts.

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

The CGR Audit Report also set forth some conclusions and recommendations regarding certain interinstitutional agreements between the Ministry of Economy and Finance and Petroecuador, and found deficiencies in the filing of debt documentation; the implementation of the agreed joint office for the management and monitoring of certain credit agreements between the Ministry of Economy and Finance and China Development Bank; and, the confidential nature of certain finance documents relating to public debt.

On April 9, 2018, during the presentation of the CGR Audit Report to the public, the Office of the Comptroller General announced that the Special Audit resulted in indications of: (i) administrative liability of certain public officials, which may lead to the dismissal of those officials; (ii) civil liability of certain current or former public officials, which may lead to fines if those officials acted in breach of their duties; and (iii) criminal liability of certain former or current public officials. Civil and administrative indications of liability are reviewed by the Office of the Comptroller General. If the Office of the Comptroller General finds that such former or current officials acted in breach of their duties, it will issue a resolution determining civil and/or administrative liability. A final resolution from the Office of the Comptroller General may be appealed to the district administrative courts.

In April 2018, the Office of the Comptroller General delivered to the Office of the Prosecutor General a report regarding the indications of criminal liability of certain former or current public officials. Based on that report, the Office of the Prosecutor General initiated a preliminary criminal investigation against former President Correa, three former Ministers of Finance and another seven former or current public officials of the Ministry of Economy and Finance. During the preliminary criminal investigation phase, which may last up to two years, the Office of the Prosecutor General will review evidence to determine if a crime has been committed. Once the preliminary investigation is completed, the Office of the Prosecutor General may request the competent judge to hold an indictment hearing with respect to any of the officials currently under investigation. If a judge determines that there are grounds for an indictment, a 90-day period will commence in which the Office of the Prosecutor General will conclude its investigation and issue a final report. The final report will be presented before the criminal court but the alleged offenders will not be found guilty unless, after trial, the offenders are found to be criminally liable.

While there is no indication that the conclusions of the CGR Audit Report have had an impact on the market value of the Notes or any of the Republic's outstanding notes, or the ability of the Republic to incur further debt obligations, any lack of certainty regarding the debt to GDP ratio and public debt accounting methodology could limit the ability of the Republic to access the international markets in the future. The CGR Audit Report recommended that, in order to reconcile amounts comprising public debt, the Public Planning and Finance Code should be amended and Decree 1218 should be repealed with respect to the calculation of the total public debt to GDP ratio to ascertain the actual value of total public debt and determine if that amount exceeded the 40% debt to GDP ratio set out in Article 124 of the Public Planning and Finance Code. Since the Office of the Comptroller General issued its CGR Audit Report and prior to the publication of the April 2019 Debt Bulletin, the Ministry of Economy and Finance had only been releasing public debt to GDP ratio information applying the aggregation methodology. On October 15, 2018, President Moreno issued Decree 537 repealing Decree 1218 in its entirety, which became effective on October 30, 2018, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*."

On June 21, 2018, the National Assembly passed the Organic Law for Productive Development which became effective on August 21, 2018, which expressly confirms that certain activities and instruments are considered a contingent liability, and therefore are not included in the calculation of the total public debt to GDP ratio, and provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply. The law also provides for the implementation of a fiscal stability plan by the Ministry of Economy and Finance for the period from 2018 to 2021. The law sets forth that in each subsequent fiscal year after 2021, the General State Budget must be presented with a fiscal program aimed at reducing over time the amount of total public debt relative to GDP, until it reaches a level below the 40% debt to GDP ratio. The new law also mandated that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, to be in accordance with Article 123 of the Public Planning and Finance Code (as amended), internationally accepted standards and best practices for the registration and disclosure of public debt.

On November 19, 2018, the Ministry of Economy and Finance issued the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the New Methodology. The New Methodology provides that the calculation of the public debt to GDP ratio is to be based on total public debt as published in the official aggregate financial statements and the latest nominal GDP as published by the Central Bank. The New Methodology defines total public debt as the sum of the public debt incurred by the entities comprising the public sector and adds certain debt instruments to the calculation of public debt that were not previously included, including oil presales, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*." The April 2019 Debt Bulletin was the first report on public debt issued that followed the New Methodology. The Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology provides that by November 14, 2019, the Ministry of Economy and Finance was required to publish public debt figures calculated using the New Methodology going back to October 2010. Such deadline has not been met due to unexpected delays in gathering and consolidating the data, with the release of these updated public debt figures expected within the weeks following this Offering Circular. Once these past public debt figures are published using the New Methodology, those numbers may vary from the public debt figures presented in this Offering Circular for the comparable period which were calculated based on the old methodology.

On December 18, 2018, by executive decree No. 617, President Moreno issued the Regulation to the Organic Law for Productive Development supplementing the Organic Law for Productive Development, which became effective on December 20, 2018. The Regulation to the Organic Law for Productive Development amends, among others, article 133 of the Rules to the Public Planning and Finance Code to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the central government in a period of no more than 60 days after the end of each month, as further described in "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability.*" In its April 2019 Debt Bulletin, the Ministry of Economy and Finance disclosed public aggregate and consolidated debt figures as of April 30, 2019.

The Special Audit has resulted in additional audits, including: (i) an examination finalized in July 2018, regarding the issuance, placement and payment of short-term treasury notes with a term of up to 360 days (the "CETES") by the Republic; an examination finalized in April 2019, regarding the contracts with service providers (including lawyers, banks, financial agents and other firms) involved in public debt transactions, covering the period between January 1, 2012 and December 31, 2017; an examination finalized in April 2019, regarding the Republic's use of shares of public banks to pay the Central Bank of Ecuador, covering the period between January 1, 2016 and December 31, 2017; an examination finalized in May 2019, regarding the entry, registration and use of funds from oil presale contracts, covering the period between January 1, 2012 and December 31, 2017; and a follow-up examination finalized in May 2019, regarding the application of the recommendations under the CGR Audit Report, covering the period between April 6, 2018 and October 31, 2018; and (ii) an ongoing examination regarding the GSI Loan Facility, the Gold Derivative Transaction and the Bond Derivative Transaction, see "*Public Debt—GSI Loan Facility.*"

The special examination of the process of issuance, placement and payment of CETES by the Republic between January 1, 2016 and December 31, 2017 concluded with the CGR CETES Report. The CGR CETES Report concluded that: (i) CETES were renewed and placed for periods longer than the 360-day period allowed by the Public Planning and Financing Code; (ii) CETES were delivered as payment instruments to pay debts, contrary to their purpose of being used to obtain resources to finance deficiencies in the fiscal accounts; and (iii) CETES were delivered to the Central Bank of Ecuador in exchange for other internal debt instruments already due, contrary to the nature of the CETES of being used to obtain resources to finance deficiencies in the fiscal accounts. In the CGR CETES Report, the Office of the Comptroller General recommended partially repealing Decree 1218 so that short-term securities with a term of "less than 360 days" are excluded from the calculation of total public debt, instead of short-term securities with a term of "up to 360 days" as it was set forth in Decree 1218. Decree 537 repealed Decree 1218 on October 30, 2018, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*." On July 4, 2018, the Office of the Comptroller General delivered to the Office of the Prosecutor General a report with findings of criminal liability in respect of former President Correa, former Ministers of Economy and Finance and former general managers of the Central Bank of Ecuador, among others. Once the Office of the Prosecutor General completes the preliminary criminal investigation, which may last up to two years, it may request an indictment hearing with respect to any of the officials currently under investigation. If a judge determines that there are grounds for an indictment, the Office of the Prosecutor General will conclude its investigation and issue a final report within 90 days to the criminal court. Following an indictment, the court would hold a pre-trial hearing. The alleged offenders would not be considered criminally liable unless determined through a trial process.

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

Since President Moreno was elected, certain personnel changes have taken place in the Ministry of Economy and Finance. Carlos de la Torre served as Minister of Economy and Finance between May 24, 2017 and March 6, 2018 when he resigned and was replaced by María Elsa Viteri. On May 14, 2018, María Elsa Viteri was replaced by Richard Martínez, the then Chairman of the *Comité Empresarial Ecuatoriano* (the "Ecuadorian Business Committee") as the new Minister of Economy and Finance of Ecuador. On May 16, 2018, Mr. Martínez stated that his agenda contains three general action items: (i) adjusting the public finances without affecting social programs; (ii) promoting public-private partnerships; and (iii) honoring the current debts of the Republic while seeking other financing following the recommendations in the CGR Audit Report.

Ecuador's history has been characterized by institutional instability.

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

On February 19, 2017, the 2017 Election was held with eight candidates to replace former President Rafael Correa who served for 10 years. Lenín Moreno of former President Correa's Alianza PAIS party came in first and Guillermo Lasso of the CREO-SUMA party, came in second. A congressional election was also held on February 19, 2017 with Alianza PAIS preserving control of the legislative assembly by winning the majority of seats with 74 seats. CREO-SUMA won 28 seats and PSC won 15 seats. A run-off election between President Moreno and Mr. Lasso was held on April 2, 2017. President Moreno won with 51.16% of the vote. President Moreno assumed the presidency of Ecuador on May 24, 2017 with Jorge Glas as vice president for a four-year term. After the election, President Moreno stated, in light of Ecuador's economic climate, that Ecuador's priority is to push for economic and social development through generating employment, equality and social justice, eradicating extreme poverty and reducing inequality while maintaining dollarization.

Pursuant to Article 149 of the 2008 Constitution, the vice president performs all functions assigned to the post by the President. On August 3, 2017, President Moreno relieved vice president Glas of his official duties pursuant to executive decree No. 100 ("Decree 100"). As part of the revocation of functions assigned to the then vice president Glas under executive decree No. 9 ("Decree 9"), Decree 100 removed the then vice president Glas as member and official in charge of the Sectorial Council of Production, withdrew his duties to coordinate the execution of policies and projects of the productive sector as developed by ministries, secretariats and other member entities of the Sectorial Council of Production and removed the then vice president Glas as member and chair of the Committee for Reconstruction and Productive Recovery in the zones affected by the earthquake in the north-east of Ecuador on April 16, 2016 (the "Pedernales Earthquake"). Additionally, Decree 100 removed the then vice president Glas as member of the Advisory Council Executive Committee and also repealed all norms of equal or lower priority to an executive decree assigning functions to the then vice president Glas. Otherwise, Mr. Glas then retained the post of vice president. The then vice president Glas was subject to an investigation for allegedly accepting bribes from Odebrecht, a Brazilian conglomerate consisting of diversified businesses in the fields of engineering, construction, chemicals and petrochemicals. Odebrecht admitted as part of its plea agreement with the U.S. Department of Justice that it made and caused to be made more than U.S.$33.5 million in corrupt payments to government officials in Ecuador and intermediaries working on their behalf between 2007 and 2016. On September 28, 2017, Ecuador's Attorney General presented charges related to allegations of corruption in Ecuador involving Odebrecht. The charges were presented to Ecuador's highest court, the National Court of Justice and included the former vice president, among others. On December 13, 2017, the former vice president Glas received a six-year prison sentence in connection with the unlawful association investigation related to Odebrecht. The former vice president appealed this sentence. On June 8, 2018, the National Court of Justice denied the former vice president's appeal. After confirmation that the former vice president could no longer retain his post as vice president on January 6, 2018, the National Assembly elected the then Minister of Urban and Housing Development María Alejandra Vicuña Muñoz, who had been serving as interim vice president, as the vice president of Ecuador until 2021. After his appeal was denied, Mr. Glas further appealed his sentence. On October 16, 2019, the National Court of Justice dismissed Mr. Glas' appeal, confirming his sentence.

On December 3, 2018, President Moreno relieved vice president María Alejandra Vicuña Muñoz of her official duties amidst an undergoing corruption scandal that spurred a criminal investigation into her vice presidency. Secretary of the Presidency, José Augusto Briones, was temporarily assigned the duties of the office of the vice president. The day after, on December 4, 2018, the vice president resigned her post. On December 11, 2018, the National Assembly appointed economist Otto Ramón Sonnenholzner Sper as the new vice president of Ecuador. For more information on presidential term limits, see "*The Republic of Ecuador—Form of Government*."

On October 1, 2019, President Moreno issued Decree 883 expanding the scope of the liberalization of prices for hydrocarbons by eliminating the subsidy on certain types of gasoline and diesel and thereby increasing the prices for these fuels. Following the elimination of the subsidies, prices for gasoline type "extra" and diesel for the automotive sector began to be set on a monthly basis by Petroecuador based on average prices and costs.

On October 3, 2019, various groups organized protests relating to the elimination of the subsidies and increase in prices. The protests lasted for almost two weeks and President Moreno relocated the government to Guayaquil on a temporary basis. The Government reached an agreement with protest leaders and on October 14,

2019, President Moreno issued Decree 894 terminating Decree 883, reversing the elimination of the subsidies and ordering the creation of a new policy on subsidies for hydrocarbons.

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

A return to an unstable political environment could significantly affect Ecuador's economy and Ecuador's ability to perform its obligations under the Notes.

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

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

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

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

Ecuador's economy remains vulnerable to external shocks, including the negative global economic consequences that occurred as a result of the global economic recession that took place in 2008 and 2009, the economic impact of the decrease in international oil prices that took place between the fourth quarter of 2014 and into 2016 and the negative economic consequences that can arise as a result of future significant economic difficulties of its major regional trading partners or by more general "contagion" effects, which could have a material adverse effect on Ecuador's economic growth and its ability to service its public debt. In addition, political events such as a change in administration in the United States or changes in the policies of the European Union, other emerging market countries, or Ecuador's regional trading partners could impact Ecuador's economy.

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

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

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

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

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

A number of factors have impacted and may continue to impact on revenues and the performance of the economy of Ecuador.

The economy of Ecuador and the Republic's budget are highly dependent on petroleum revenues. In 2018, 22.2% of Ecuador's non-financial public sector revenues were derived from petroleum and petroleum-related taxes and royalties. For example, in response to the decline in revenue attributable to the fall in the price of oil in 2016, Ecuador reduced its budget from U.S.$34.1 billion in 2015 to U.S.$29.8 billion in 2016. For more information, see "*Public Sector Finances—Non-Financial Public Sector Revenues and Expenditures*." In the event the price of oil was to decrease from its average levels of approximately U.S.$51.3 per barrel as estimated by the 2020 Budget, Ecuador's revenues from oil could significantly decline. There can be no assurance that Government revenues from petroleum exports will not experience significant fluctuations as a result of changes in the international petroleum market. Concerns with respect to global recessions, weakness of the world economy, terrorism, market volatility and certain geopolitical developments, such as political instability in the Middle East, including recent tensions between Saudi Arabia and Iran and Venezuela or the effect of sanctions with respect to Iran, may have a potentially adverse effect on the petroleum market as a whole.

In addition, as of October 31, 2019, 89.7% of Ecuador's petroleum exports by destination were to four countries - the United States (45.5%), Panamá (21.6%), Chile (14.6%), and Peru (8.0%). Worsening economic conditions in any of these countries could have a significant impact on Ecuador's revenues from oil and overall economic activity.

Further, operating difficulties in certain oil fields, lower production budgets, and the outages and the overhaul of Ecuador's largest refinery, the Esmeraldas Refinery (see "*The Ecuadorian Economy—Strategic Sectors of the Economy—Oil Sector*"), have led to uneven crude oil and petroleum derivatives production over the last few years. While Ecuador expects to increase production through the development of new fields, in particular the ITT fields which became operational in September 2016 (see "*The Ecuadorian Economy—Strategic Sectors of the Economy—Oil Sector*") and completed at the end of 2015 the overhaul of the Esmeraldas Refinery, future political opposition, budget adjustments that affect investments in oil exploration, natural disasters such as earthquakes, or further outages could result in a decline of overall production. Accordingly, any sustained period of decline in capacity, if exacerbated by a decline in oil production, could adversely affect the Republic's fiscal accounts and International Reserves.

Organization of the Petroleum Exporting Countries ("OPEC") members have historically entered into agreements to reduce their production of crude oil. Such agreements have sometimes increased global crude oil prices by decreasing the global supply of crude oil. Since 1998, OPEC's production quotas have contributed to substantial increases in international crude oil prices. Beginning with the 160th Meeting of the Conference of OPEC, convened on December 14, 2011 in Vienna, Austria, to the present, OPEC decided to maintain a production level of 30.0 mbpd, including production from Libya, and also agreed that OPEC member countries would, if necessary, take steps (including voluntary downward adjustments of output) to ensure market balance and reasonable price levels. In the 171st Meeting of the Conference of OPEC, held in Vienna, Austria, on November 30, 2016, the Conference, emphasizing its commitment to stable markets, mutual interests of producing nations, the efficient, economic and secure supply to consumers, and a fair return on invested capital, agreed to reduce its production by approximately 1.2 mbpd to bring its ceiling to 32.5 mbpd, effective January 1, 2017.

In connection with the November 30, 2016 OPEC agreement (the "OPEC Agreement") to reduce aggregate production by approximately 1.2 mbpd, Ecuador agreed to reduce its daily production quota for a six-month period starting on January 1, 2017. As a result, for January, February, March, April and May of 2017, Ecuador reduced its daily production quota by 18,000 bpd, 19,000 bpd, 23,000 bpd, 20,506 bpd and 20,004 bpd, respectively. On May 25, 2017, Ecuador agreed to extend its production adjustments for a further nine-month period from July 1, 2017 to March 31, 2018. Before the start of this nine-month period, in June 2017, Ecuador state-owned oil company *Empresa Pública de Exploración y Explotación de Hidrocarburos Petroamazonas EP* ("Petroamazonas") produced 423,505 bpd compared to its initial goal of 445,283 bpd. In July 2017, Petroamazonas produced 422,595 bpd compared to its initial goal of 460,690 bpd, and at the end of the nine-month period, in March 2018, Petroamazonas produced 396,495 bpd barrels of oil compared to its initial goal of 396,153 bpd. In October 2019, Petroamazonas produced 373,536 bpd compared to its initial goal of 422,881 bpd.

Any reduction in Ecuador's crude oil production or export activities that could occur as a result of the foregoing changes in OPEC's production quotas or a decline in the prices of crude oil and refined petroleum products for a substantial period of time may materially adversely affect Ecuador's revenues and the performance of its economy. Following a proposal by Russia and Saudi Arabia to increase global oil production, on June 22, 2018, OPEC agreed to increase the annual oil barrel production by around 1.2 million barrels per day. Ecuador's oil production was not affected by this agreement.

On December 7, 2018, the 5th OPEC and non-OPEC Ministerial Meeting held in Vienna, Austria, decided to reduce the overall production by 1.2 mbpd, starting in January 2019 for an initial period of six months. The contributions from OPEC participating countries and the voluntary contributions from non-OPEC participating countries were set to 0.8 mbpd (2.5%) and 0.4 mbpd (2.0%), respectively. Ecuador's oil production is not expected to be affected by that OPEC agreement to reduce production starting in January 2019. On February 26, 2019 the Minister of Energy and Non-Renewable Natural Resources announced that the Republic had requested OPEC an authorization to increase its quota from its current 508,000 bpd to 535,000 bpd. Ecuador's current quota is 515,000 bpd. On October 1, 2019, the Ministry of Energy and Non-Renewable Natural Resources announced that Ecuador will no longer be a member of OPEC citing the enhancement of the country’s fiscal sustainability as the reason for the decision. Effective on January 1, 2020, Ecuador is no longer a member of OPEC.

In addition to the effects of the volatility of the oil market, the National Assembly has passed several laws that have altered the Republic's budget and the established budgetary agenda and resulted in higher deficits. Certain assumptions regarding the levels of future oil prices are contained in the budgetary process and in the *Plan Nacional para el Buen Vivir* (the "National Development Plan"). Anticipated revenues contained in the budget could be lower if these assumptions about oil prices are not accurate. In January 2015, in response to the decline of oil prices in the last quarter of 2014, Ecuador reduced its 2015 budget by U.S.$1.4 billion and again by U.S.$800 million in August 2015, resulting in a modified budget of U.S.$34.1 billion for 2015. On March 3, 2016, the Minister of Finance announced that the 2016 Budget would be reduced by U.S.$800 million. After the election, President Moreno stated, in light of Ecuador's economic climate, that Ecuador's priority is to push for economic and social development through generating employment, equality and social justice, eradicating extreme poverty and reducing inequality while maintaining dollarization. Ecuador may need to balance its social and employment goals given its budgetary constraints.

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

Ecuador is currently implementing policies to address fiscal imbalances and bolster the competitiveness of the private sector through its economic plan, which is complemented by a number of defined austerity measures published on August 28, 2018, in the *Plan de Prosperidad* (the "Plan of Prosperity"). If the policies and measures necessary to strengthen fiscal institutions and the private sector do not materialize at the required pace, this could result in slower rates of economic growth and fiscal adjustment than anticipated, and could have adverse effect on the Government's revenues, affecting its ability to service its debt.

As part of the ongoing plan to optimize the administration of the State, a committee was created among the Public Companies Coordinator Company, the General Secretariat of the Presidency, the SENPLADES and the Ministry of Energy and Non-Renewable Natural Resources, along with technical teams from Petroecuador and Petroamazonas, to start carrying out the process to merge Petroecuador and Petroamazonas. On April 24, 2019, President Moreno issued decree No. 723 ("Decree 723") ordering the merger of Petroecuador and Petroamazonas into a single public company, and creating the *Unidad Temporal de Fusión* (the "Temporary Merger Unit") charged with managing the merger under the supervision of the Minister of Energy and Non-Renewable Natural Resources. The decree also sets December 31, 2020 as the deadline for completion of the merger.

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

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

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

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

In addition to petroleum prices, see "*Risk Factors—Risk Factors Relating to Ecuador—A number of factors have impacted on and may continue to impact on revenues and the performance of the economy*," Ecuador's economy is exposed to other commodity price volatility, especially with regard to bananas and shrimp, which made up approximately 14.59% and 17.72% of Ecuador's total exports for the eleven months ended November 30, 2019, respectively. A significant drop in the price of certain commodities, such as bananas or shrimp, would adversely affect Ecuador's economy and could affect Ecuador's ability to perform its obligations under the Notes.

Damage caused by the Pedernales Earthquake may impede Ecuador's ability to export goods and the associated reconstruction costs may affect its ability to perform its obligations under the Notes.

On April 16, 2016, the Pedernales Earthquake, a 7.8 magnitude earthquake struck the northern coast of Ecuador. The Pedernales Earthquake and its aftershocks caused severe damage to Ecuador's infrastructure in the region, including its roads and ports. On October 5, 2017, the Committee for Reconstruction and Productive Recovery presented a report to President Moreno which stated that as of September 15, 2017, the total assigned budget to reconstruct the infrastructure damaged by the Pedernales Earthquake was approximately U.S.$2,805 million out of which U.S.$1,419 million had already been used towards reconstruction efforts. As of July 31, 2019, the total assigned budget to reconstruct the infrastructure damaged by the Pedernales Earthquake was approximately U.S.$2,943.6 million out of which U.S.$1,979.6 million had already been used towards reconstruction efforts. The damage to Ecuador's infrastructure may have an adverse impact on the Ecuadorian economy and, in particular, on export businesses that operate in the affected areas. A study conducted by SENPLADES, INEC and various ministries revealed that, without taking into account the cost of reconstruction, the damage from the earthquake had an impact of -0.7% on the growth of Ecuador's GDP in 2016. In addition, the increased need for funds to finance reconstruction of infrastructure damaged in the Pedernales Earthquake may have an adverse impact on Ecuador's ability to perform its obligations under the Notes.

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

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

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

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

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

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

Part of the proceeds could be attached by creditors to satisfy outstanding arbitral awards and judgments (if applicable) against Ecuador.

Creditors holding outstanding arbitral awards or court judgments present a risk of disruption to the offering. This could involve any type of creditor, including trade, supply, investor and finance creditors who obtain arbitral awards and possibly seek to enforce these awards or judgments. The risk with respect to the placement of the Notes includes that the SPV could be said to have an obligation to pay the proceeds to Ecuador, and that Ecuador's creditors may attempt to enforce their rights against Ecuador's interest in any such obligation. Further, Ecuador's creditors could attempt to attach the proceeds of the offering or the payment of principal and/or interest on the Notes.

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

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

There is a risk that creditors could seek to attach part of the offering proceeds to satisfy pending awards against Ecuador. If creditors are successful in attaching payments to holders of the Notes, Ecuador may not be able to make payments to holders of the Notes. For further information about the attempts of creditors of Argentina to enforce payment obligations on defaulted sovereign debt, see "*Risk Factors—Risk Factors Relating to the Notes—Recent federal court decisions in New York create uncertainty regarding the meaning of ranking provisions and could potentially reduce or hinder the ability of sovereign issuers to restructure their public sector debt*."

Specifically, payments of principal and/or interest on the Notes may be attached, enjoined or otherwise challenged by holders of other debt instruments of Ecuador, including outstanding holders of the 2012 and 2030 Notes. Some creditors have, in recent years, used litigation tactics against several sovereign debtors that have defaulted on their sovereign bonds including Peru, Nicaragua and Argentina, to attach or interrupt payments made by these sovereign debtors to, among others, holders of the relevant defaulted bonds who agreed to a debt restructuring and accepted new securities in an exchange offer. Ecuador may also become subject to suits to collect on defaulted indebtedness. Ecuador cannot guarantee that a creditor will not be able to interfere, through an

attachment of assets, injunction, temporary restraining order or otherwise, with payments made under the Notes. As of the date of this Offering Circular, the Republic is aware of one claim that has been made by a holder of the 2030 Notes. For more information, see "*Public Debt—Debt Obligations—2012 and 2030 Notes and tender offer.*"

The Republic may incur additional debt beyond what investors may have anticipated as a result of a change in methodology in calculating the public debt to GDP ratio for the purpose of complying with a 40% limit under Ecuadorian law, which could materially adversely affect the interests of holders of the Notes.

The Republic has ordinarily been subject to a limitation on borrowing due to the Public Planning and Financing Code enacted in October 2010, which limits total public debt to 40% of GDP unless, in the case of public investment programs and projects of national interest, a majority of the National Assembly approves an exception to this limit on a project by project basis. Accordingly, ordinarily in order to exceed the 40% limit of total public debt to GDP the Republic must either amend the Public Planning and Financing Code or seek an exemption from the National Assembly on a case by case basis. See "*Public Sector Finances Overview—Fiscal Policy*." Ordinarily, each time the Republic wishes to issue additional debt, such as the Notes, it must ensure it is within those limits.

On October 25, 2016, pursuant to Article 147, Clause 13 of the 2008 Constitution, former President Correa exercised his presidential authority to issue implementing regulations and signed Decree 1218, which modified Article 135 of the Rules to the Public Planning and Finance Code. Decree 1218 changed the methodology that the Ministry of Economy and Finance used to calculate the total public debt to GDP ratio for the purpose of establishing whether the total public debt ceiling of 40% established in Article 124 of the Public Planning and Finance Code had been exceeded. Under Decree 1218, the Ministry of Economy and Finance used the total consolidated public debt methodology set out in the Manual of Public Finance Statistics of the IMF. The IMF GFS, which was published in 2001, provides that the presentation of government financial statistics, including total public debt, should be calculated on a consolidated basis rather than on an aggregate basis. According to the IMF GFS, the consolidation methodology presents statistics for a group of units as if accounting for a single unit. In the context of total public debt, this means that debt that flows between governmental units or entities or between the central government and these governmental units or entities ("intra-governmental debt") is not included in the calculation of total public debt. This principle is reaffirmed in the preamble of the Organic Law for Productive Development, approved by the National Assembly on June 21, 2018. On the other hand, the aggregation methodology, which the Ministry of Economy and Finance used prior to Decree 1218, does include intra-governmental debt in the calculation of total public debt. By changing the method of calculating total public debt from an aggregation methodology to a consolidation methodology, Decree 1218 effectively eliminated certain types of debt from the calculation and, by extension, reduced the amount of total public debt taken into account for purposes of the 40% public debt to GDP ceiling.

Because the consolidation methodology did not take into account intra-governmental debt in the calculation of public debt to GDP ratio, Decree 1218 enabled the Republic to incur more public debt than investors may have anticipated before the signing of Decree 1218, when Ecuador calculated the total debt for the purpose of the 40% public debt to GDP ratio ceiling using the aggregation methodology.

The change in methodology for the calculation of the debt ceiling, and the implementation of Decree 1218, were subject to review as part of the Special Audit undertaken by the Office of the Comptroller General, as more fully described in "*The Republic of Ecuador—Form of Government—Review and Audit by the Office of the Comptroller General*". Since the Office of the Comptroller General issued its CGR Audit Report and prior to the publication of the April 2019 Debt Bulletin, the Ministry of Economy and Finance had only been releasing public debt to GDP ratio information applying the aggregation methodology. On October 15, 2018, President Moreno issued Decree 537 repealing Decree 1218 in its entirety, which became effective on October 30, 2018, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*."

Following the recommendations made by the Office of the Comptroller General in the CGR Audit Report, on June 21, 2018, the National Assembly approved the Organic Law for Productive Development (submitted by President Moreno), which became effective on August 21, 2018, which among other things, provides certainty as to the nature of certain activities as contingent liabilities for purposes of the calculation of the debt to GDP ratio, as

further described in "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability*", and provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply. The law also provides for the implementation of a fiscal stability plan by the Ministry of Economy and Finance for the period from 2018 to 2021. The law sets forth that in each subsequent fiscal year after 2021, the General State Budget must be presented with a fiscal program aimed at reducing over time the amount of total public debt relative to GDP, until it reaches a level below the 40% debt to GDP ratio.

On November 19, 2018, the Ministry of Economy and Finance issued the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the New Methodology, which provides that the calculation of the public debt to GDP ratio is to be based on total public debt as published in the official aggregate financial statements and the latest nominal GDP as published by the Central Bank. The New Methodology defines total public debt as the sum of the public debt incurred by the entities comprising the public sector and adds certain debt instruments to the calculation of public debt that were not previously included, including oil presales, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*." The April 2019 Debt Bulletin was the first report on public debt issued that followed the New Methodology. On December 20, 2018, the Regulation to the Organic Law for Productive Development became effective amending, among others, article 133 of the Rules to the Public Planning and Finance Code to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the central government in a period of no more than 60 days after the end of each month. These amendments also provide that in establishing the total amount of public debt, the Ministry of Economy and Finance will consider the aggregate public debt/GDP indicator of the entities constituting the public sector. This indicator will be calculated and projected based on the public debt aggregate statements, at least for the final balances, for the following four years. Among other provisions, the regulation provides guidance for calculating the debt to GDP ratio for these purposes, as well as for reducing the balance of the public debt below 40% and for ensuring that the balance of the public debt does not exceed 40% of GDP after it has been reduced.

Starting with its April 2019 Debt Bulletin, the Ministry of Economy and Finance releases public aggregate and consolidated debt figures under the New Methodology. According to the November 2019 Debt Bulletin, the aggregate public debt to GDP ratio as of November 30, 2019 was 52.0%, a 7.3% increase compared to a 44.7% aggregate public debt to GDP ratio as of November 30, 2018 under the prior methodology. In the November 2019 Debt Bulletin, the Ministry of Economy and Finance disclosed public aggregate and consolidated debt figures as of November 30, 2019. In the same bulletin, the Ministry of Economy and Finance also disclosed public aggregate and consolidated debt figures under the New Methodology for the ten months prior to October 2019. Under the New Methodology, the aggregate public debt to GDP ratio as of January 31, 2019, February 28, 2019, March 31, 2019, April 30, 2019, May 31, 2019, June 30, 2019, July 31, 2019, August 31, 2019, September 30, 2019, and October 31, 2019, were, respectively, 51.14%, 50.72%, 51.34%, 51.13%, 51.05%, 51.23%, 51.14%, 51.04%, 52.14% and 52.13%. The respective difference between the aggregate public debt to GDP ratio under the new methodology and the prior methodology for these periods are 4.61%, 4.28%, 4.41%, 4.35%, 4.08%, 4.08%, 3.97%, 3.83%, 3.36% and 3.39%. While the waivers for the debt ceiling may reduce the near-term likelihood that the Republic will need to seek an exemption from the National Assembly in order to incur more debt, the interests of the holders of the Notes could be materially affected to the extent that the waiver results in the incurrence of additional public debt.

Ecuador faces challenges in its ability to access external financing.

Ecuador may have to rely in part on additional financing from the domestic and international capital markets in order to meet its future expenses. Given the fluctuations in Ecuador's level of International Reserves in the last few years its ability to obtain diverse sources of international funding has become increasingly important. See "*Public Sector Finances—Overview—Fiscal Policy*." Since the U.S. dollar is legal tender of Ecuador, the level of International Reserves may not be an indicator of its ability to meet current account payments as would be the case in an economy where the dollar is not legal tender.

In 2008, the CAIC issued a report that made a number of findings regarding the legitimacy of Ecuador's debt obligations (including the 2012 and 2030 Notes), in particular relating to concerns involving the public

assumption of private debt, appropriate authorizations, sovereign immunity, and the relevant economic terms of the debt obligations incurred. See also "*Risk Factors—Risk Factors Relating to Ecuador—Ecuador has defaulted on its sovereign debt obligations in the past, in particular its obligations under the 2012 and 2030 Notes*." Following the report in 2008, Ecuador defaulted on its payments for the 2012 and 2030 Notes in the aggregate amount, as of February 2009, of approximately U.S.$157 million in interest and U.S.$3,200 million in principal. Ecuador invited holders of the 2012 and 2030 Notes to participate in two tender offers in April 2009 and November 2009 which resulted in the tender of 93.22% of the 2012 and 2030 Notes. Although some holders continue to hold the defaulted 2012 and 2030 Notes, Ecuador has successfully repurchased additional 2012 and 2030 Notes from remaining holders from 2009 onwards. As of the date hereof, the total aggregate amount of outstanding principal on the 2012 and 2030 Notes is U.S.$52 million, which represents 1.6% of the original aggregate principal amount of the 2012 and 2030 Notes. For more information, see "*Public Debt—Debt Obligations—2012 and 2030 Notes and tender offer*." Given the history of defaults, and more recently, defaults with respect to the 2012 and 2030 Notes as a result of the CAIC determining that the notes were issued illegally, Ecuador may not be able access external financing on favorable terms. For further information regarding the external debt payment record of Ecuador and the history of defaults, see "*Public Debt—Debt Obligations*."

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

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

The Government could fail to implement its policy plans as presented to the IMF.

On March 11, 2019, the executive board of the IMF approved a U.S.$4,200 million arrangement under the IMF's Extended Fund Facility for Ecuador, enabling the disbursement of U.S.$652 million on March 13, 2019, and the subsequent disbursement of U.S.$251 million on July 2, 2019. The Republic presented a Memorandum of Economic and Financial Policies to the IMF outlining the Government's policy plan over the subsequent three years, the implementation of which the IMF will monitor and review on a quarterly basis by means of certain performance criteria, targets and benchmarks, see *"Public Debt—IMF's Extended Fund Facility*".

On December 11, 2019, the Republic (i) presented the Updated Memorandum of Economic and Financial Policies outlining the Government's policy plan over the subsequent two years, the implementation of which the IMF will monitor and review on a quarterly basis by means of certain performance criteria, targets and benchmarks, and (ii) requested (a) completion of the second and third review of the arrangement under the IMF's Extended Fund Facility and the disbursement of the associated amount of about U.S.$498.0 million for budget support, and (b) a waiver of nonobservance of the performance criteria on net international reserves given that the macroeconomic impact of the breach was minor, as well as certain modifications to program requirements reflected therein.

The Updated Memorandum of Economic and Financial Policies included, among other measures, the Government's intention to (i) submit to the National Assembly by the end of February 2020, revised amendments to the Public Planning and Finance Code, and (ii) resubmit to the National Assembly by April 2020 after consultation with various stakeholders and building consensus, a revised version of the amendments to the Organic Monetary and Financial Law, which were incorporated as part of the draft Law on Economic Development that the National Assembly rejected on November 17, 2019, see *"Public Debt—IMF's Extended Fund Facility.*"

On December 19, 2019, the IMF's Executive Board concluded its combined second and third reviews of the Government's economic program supported under the Extended Fund Facility. In these reviews, the IMF reported that the end-September benchmark under the arrangement with the IMF concerning the submission by the Republic of amendments to the Organic Monetary and Financial Law fell short of being fully implemented since the draft law submitted did not incorporate the double veto procedure for the appointment and dismissal of members of the Central Bank board, though it contained other important provisions that would strengthen the institutional foundations of the Central Bank. Other structural benchmarks for the second and third reviews were either met or implemented with a slight delay. Given the rejection of the draft Law on Economic Development, new program conditionalities were accepted by the IMF to allow the authorities more time to reach consensus and complete these structural reforms. In particular, the submission of certain amendments to the Public Planning and Finance Code consistent with program commitments were accepted as a structural benchmark for the fourth review and that of the revised Organic Monetary and Financial Law amendments as a structural benchmark for the fifth review. The IMF granted the Republic's request to modify the end-December 2019 targets on the non-oil primary balance including fuel subsidies to partially accommodate the shortfall due to the delay in asset monetization, on net international reserves due to a higher deficit and financing shortfalls, and on social assistance spending due to the postponement of one of the programs to 2020. After the IMF staff's recommendations to the IMF's Executive Board for completion of the second and third reviews, and support for the Republic's requests of waivers for nonobservance of certain targets, on December 19, 2019, the IMF's Executive Board approved the disbursement to the Republic of approximately U.S.$498 million.

Failure by the Republic to successfully implement the policy plans supported under the IMF's Extended Fund Facility and meet the performance criteria, targets and benchmarks and recommendations contained in the second and third reviews, including without limitation, with respect to the level of net international reserves could delay or prevent future disbursements, which could in turn negatively affect the Republic's ability to meet its other domestic and international debt obligations, including the Notes. The international reserves of the Republic as of December 31, 2019 were U.S.$3,397.1 million, see "*Balance of Payments and Foreign Trade—International Reserves*." The December 2019 IMF staff report reflected projected year-end international reserves of U.S.$4,819 million. Accordingly, there is a shortfall between the IMF projected international reserves as of December 31, 2019 and the actual international reserves as of this date. At this time, we have no assurance as to when the IMF will publish its next quarterly report, and thus there is no certainty as to the impact it may have on the secondary performance of the Notes.

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

On September 11, 2019, an internet security firm issued a report that stated that it had uncovered a major data breach of personal information of Ecuador's population contained on an unsecured server maintained by a marketing firm. According to the report, the breach may involve personal information with respect to the entire Ecuadorian population and information leaked included information contained in government registries and records, including identification numbers and records and home addresses. Although the Attorney General and other government officials have confirmed the breach and launched an investigation, the extent of the data breach and its effect on the Ecuadorian economy, if any, are not known at this time and is not possible to predict. In response to the data breach, on September 19, 2019, the President submitted to the National Assembly a draft law on protection of personal data, currently under review and debate. On October 3, 2019, the National Assembly's International Relations Commission approved initiating an investigation into the data breach. As of the date of this Offering Circular, this investigation had not yet concluded. See "*The Republic of Ecuador – Data Breach"*.

USE OF PROCEEDS

The use of proceeds for public debt is limited by the Public Planning and Finance Code. Under the Public Planning and Finance Code, proceeds of public debt transactions may only be used to: (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance existing external debt obligations on more favorable terms. The Public Planning and Finance Code prohibits public transactions for the purpose of paying ongoing expenses, with the exception of expenses related to health, education, and justice, under exceptional circumstances as determined by the President of the Republic. The Republic will use the proceeds of the Notes in accordance with the limitations of the Public Planning and Finance Code.

The Republic has launched several initiatives, among them the Housing For All Program, led by the Ministry of Urban Development and Housing, which offers subsidies for certain segments of social housing. Proceeds of the Notes will initially be received in the Republic's sole Treasury account at the Central Bank, it is expected that the Proceeds of the Notes will be transferred immediately and held in a trust account established for the purposes of financing social housing through loans that will be available at participating financial institutions to first-time buyers which meet the conditions of the Program (as defined in "*Summary—The Offering—Use of Proceeds*"). Each such participating financial institution will then securitize its social housing loan portfolio under the Program by creating and transferring it to a trust issuing securities backed by the loan portfolio. In order to participate in the Program, a financial institution must, among other requirements, have a risk rating equal to or above "A" (which under Superintendency of Banks regulation means that the financial institution in question has a solid financial record and is well regarded in the money markets despite certain acceptable weaknesses, and any deviation in the results of such financial institution's historic levels is expected to be limited and easily addressable, and the probability of such financial institution having significant negative issues is very low despite it being slightly higher than that of other financial institutions with higher credit rating) and be in compliance with minimum solvency, liquidity and capital requirements. Housing units acquired through the Program must be finalized, meet certain requirements in their design and be valued at a price not exceeding the equivalent to 177.66 or 228.42 times the minimum wage, depending on the applicant's economic segment. As of the date of this Offering Circular, the minimum wage is U.S.$400 per month. For more detailed information on the Program and the use of proceeds of the Notes, see the Operating Manual for the Program in Social Housing or ROP at the Program Website (see, https://www.finanzas.gob.ec/bono-social). This website is not incorporated by reference into this Offering Circular.

The Republic has also formalized the main characteristics of its social bond within a social bond framework dated September 30, 2019. The eligibility requirements of the social bond are based on the selection criteria of the loans defined by the Monetary and Financial Policy and Regulation Board and the Executive Decree 681 of February 25, 2019 and are further described in the social bond framework and the ROP. The framework formalizes a number of items, including (i) the main characteristics of the eligible mortgage loans; (ii) the social objective, Affordable Housing; (iii) the target population; (iv) governance and the process for the evaluation and selection of the eligible loans; and (v) the process of monitoring, data collection, consolidation and reporting.

The Republic has appointed Vigeo Eiris, an independent provider of environmental, social and governance research and analysis, to evaluate the Republic's social bond framework and the alignment thereof with relevant industry standards, including ICMA's 2018 Social Bond Principles. The results are documented in Vigeo Eiris' Second Party Opinion which is available on the Program Website. In particular, Vigeo Eiris has confirmed that the Program's framework aligns with the four pillars of ICMA's 2018 Social Bond Principles and contributes to the Republic's commitments to the realization of the Republic's poverty reduction and access to decent and affordable housing targets.

THE REPUBLIC OF ECUADOR

Territory, Population and Society

Ecuador is one of the smallest countries in South America, covering an area of approximately 99,054 square miles (256,549 square kilometers). Located on the north-western coast of the continent, it shares a 950-mile border with Peru to the south and the east, a 373-mile border with Colombia to the north, and a 1,452-mile coastline to the Pacific Ocean to the west.

Ecuador encompasses a wide range of geographic areas and climates, including the Pacific coastal plains, the Sierra (consisting of the Andean highland region), the Oriente (characterized by the Amazonian tropical rain forest) and the Galapagos Islands region located in the Pacific Ocean approximately 600 miles from the coast. The Republic is traversed by the equator and lies entirely in the north and south tropical zones. The country's regional climates vary depending on altitude. The climate is tropical in the Pacific coastal plains and the Oriente, predominantly temperate in the Sierra, and maritime in the Galapagos Islands.

Ecuador has several active volcanoes, some of which have shown increased activity in the past several years. When it occurs, the irregular El Niño climatic phenomenon has caused heavy rains, landslides, widespread flooding and hotter temperatures across Ecuador. In 2012, forest fires occurred in many areas of Ecuador. The Pichincha province on the outskirts of Quito was particularly affected.

On October 26, 1998, Ecuador and Peru signed a comprehensive peace agreement that ended a long-standing territorial dispute concerning territory in the Oriente region. Although the territorial conflict spanned more than a century, the treaty ended multiple hostile encounters between the two governments over the course of the previous four years. As a result of this treaty, the two countries presented joint plans for the development of infrastructure and commerce in the border region.

On March 1, 2008, Colombian forces raided a camp of the *Fuerzas Armadas Revolucionarias de Colombia* ("Revolutionary Armed Forces of Colombia" or "FARC"), which was located in Ecuadorian territory. This led to the death of FARC's leader, Raúl Reyes. Despite some brief tensions that resulted in the end of diplomatic relations with Colombia, the restoration of diplomatic relations between both countries was announced in November of 2010 by the then presidents of Ecuador and Colombia, Rafael Correa and Juan Manuel Santos, respectively, during the UNASUR summit in Guyana.

According to projections based on the 2010 census conducted by the INEC, in 2020, the total population of Ecuador is approximately 17.5 million. Approximately 49.3% of the population live in the Pacific coastal plains, 44.8% live in the Andean highlands, 5.5% in the Oriente and 0.2% in the Galapagos Islands. From 2001 to 2010, the population grew at an average annual rate of 1.9%, down from 2.05% between 1990 and 2001. Approximately 64.0% of the population is urban. Quito, the country's capital, is the largest city with 2.78 million inhabitants and is located in the highlands at 2,850 meters above sea level. Guayaquil, which is located on the coast, is the second largest city and it has a population of 2.72 million. Spanish is the official language, while Quechua and Shuar are considered official languages for intercultural relations.

Historically, Ecuador has been a Catholic country and while the country remains predominantly Catholic, evangelical Christianity has become increasingly popular.

The following chart sets forth certain demographic characteristics for Ecuador in the time period specified:

Demographic Characteristics

	2015	2016	2017	2018	2019	2020
Total population (*million*)	16.3	16.5	16.7	17.0	17.3	17.5
Female (%)	50.5	50.5	50.5	50.5	50.5	50.5
Male (%)	49.5	49.5	49.5	45.5	49.5	49.5
Urban (%)	63.4	63.6	63.7	63.8	63.9	64.0
Rural (%)	36.6	36.4	36.3	36.2	36.1	36.0
Functional age groups (*%*)						
Child (0–14)	30.7	30.3	29.9	29.5	29.1	28.7
Adult (15–64)	62.5	62.8	63.1	63.3	63.6	63.9
Elderly (65+)	6.8	6.9	7.0	7.2	7.4	7.5
Demographic Indicators						
Average Annual Growth (%)	1.6	1.5	1.6	1.5	1.4	1.4
Birth Rate (per thousand) [1]	17.7	16.5	17.2	n/a	n/a	n/a
Infant Mortality Rate (per 1,000 live births)	8.9	9.2	9.7	n/a	n/a	n/a
Fertility Rate (per woman)	2.5	2.5	n/a	n/a	n/a	n/a
Average Life Expectancy (*age*) [1]						
Female	79.1	79.3	79.5	n/a	n/a	n/a
Male	73.4	73.7	73.9	n/a	n/a	n/a
Overall	76.2	76.5	76.7	n/a	n/a	n/a

Source: Based on data from the Instituto Nacional de Estadística y Censo ("National Iinstitute of Statistics" or "INEC"). 2020 figures are based on the INEC's projections as posted on their website www.ecuadorencifras.gob.ec, last visited on January 12, 2020,

(1) Figures for 2018 and 2019 of Birth Rate (per thousand) and Average Life Expectancy (age) are not yet available.

The following table sets forth certain comparative information for Ecuador relative to certain countries in South America, Central America and the United States:

Selected Comparative Social Statistics

	Ecuador	Bolivia	Paraguay	Honduras	Guatemala	Costa Rica	United States
Average life expectancy[1]	77.1	69.8	77.6	71.3	71.8	78.9	80.1
Adult literacy rate[2]	94.4%	92.5%	94.7%	89.0%	81.3%	n/a	n/a
Mean years of schooling[2]	10.13 [3]	9.7	8.5	6.5	6.4	8.6	13.4
Population below poverty line[5]	24.5%[4]	38.6%	22.2%	29.6%	59.3%	21.7%	15.1

Source: Ecuador data based on INEC projections and remaining country data based on World Bank data (last accessed online in May 2019) unless otherwise indicated.

(1) Based on data from Central Intelligence Agency; The World Fact book.

(2) Based on data from UNESCO (last accessed online in May 2019). Latest available data for Bolivia is from 2015, for Guatemala, from 2014; for the other countries, from 2016.

(3) Based on data from INEC as of December 2016.

(4) Based on data from INEC as of June 2018.

(5) In Ecuador, as of December 2018, the poverty line was U.S.$84.79/month, per capita. Data for Bolivia is based on the international standard of U.S.$2/day. Latest available data for Honduras, Guatemala and Costa Rica is from 2014; for the United States, from 2010; for the other countries, from 2015.

Pedernales Earthquake

Ecuador is located in an active seismic area where the risk of an earthquake or tremors is high. On April 16, 2016, the Pedernales Earthquake, a 7.8 magnitude earthquake, struck the northern coast of Ecuador above the convergent boundary where the Nazca tectonic plate subducts beneath the South American tectonic plate. Ecuador has a history of serious earthquakes relating to this convergent boundary, with seven earthquakes with a magnitude of seven or higher occurring in this zone since 1900.

The epicenter of the Pedernales Earthquake was located between the provinces of Esmeraldas and Manabí and approximately 110 miles from Quito. According to situation bulletin Number 65 published by the Secretary of Risk Management, as of May 16, 2016, the number of fatalities from the Pedernales Earthquake had risen to 661,

while 6,274 people sustained injuries, 28,678 people and 7,356 families remained in shelters, 18,663 buildings sustained damage and 808 schools sustained damage or remained under investigation. On April 17, 2016, former President Correa issued executive decree No. 1001, declaring a state of emergency in the provinces of Esmeraldas, Manabí, Santa Elena, Santo Domingo de los Tsáchilas, Los Rios and Guayas due to the negative impact of the natural disaster.

Significant aftershocks followed the initial earthquake, including eight aftershocks with a magnitude above six on the Richter scale. While the damage from aftershocks occurring in the five week period following the earthquake was minimal, aftershocks of 6.8, and 6.7 magnitudes which occurred on May 18, 2016 led to one fatality and left an additional 85 people injured.

On October 5, 2017, the Committee for Reconstruction and Productive Recovery reported to President Moreno that as of September 15, 2017, the budget to reconstruct the infrastructure damaged by the Pedernales Earthquake was approximately U.S.$2,805 million, out of which U.S.$1,419 million had already been used towards reconstruction efforts. As of July 31, 2019, the total assigned budget to reconstruct the infrastructure damaged by the Pedernales Earthquake was approximately U.S.$2,943.6 million out of which U.S.$1,979.6 million had already been used towards reconstruction efforts. An evaluation conducted by the National Secretary of Planning and Development, INEC and various ministries estimates that, without taking into account the cost of reconstruction, damage from the earthquake had an impact of -0.7% on the growth of Ecuador's GDP in 2016, and, as of December 2016, an impact of -9.8% on the growth of GDP in Manabí, the province in which 95% of the damages caused by the earthquake are concentrated. In response to the earthquake, former President Correa empowered the Ministry of Economy and Finance to reallocate public funds, other than those allocated toward health and education, toward reconstruction efforts through Article 3 of executive decree No. 1001 and proposed a series of measures to help finance reconstruction pursuant to his authority under Articles 120 and 140 of the 2008 Constitution.

On May 20, 2016, the *Ley Orgánica de Solidaridad y de Corresponsabilidad Ciudadana para la Reconstrucción de las Zonas Afectadas por el Terremoto de 16 de Abril de 2016* (the "Law of Solidarity") was published and became effective. The Law of Solidarity includes the following measures:

- increasing the value added tax ("VAT") by 2% (from 12% to 14%) for one year starting June 1st, 2016, of which an additional 2% may be refunded if payments are made with electronic money (i.e. a 4% VAT reimbursement applies in payments made with electronic money). On June 1, 2017, the rate returned to 12%;

- a one-time contribution by natural persons equal to 0.9% of an individual's total assets for individuals whose total assets exceed U.S.$1 million;

- a one-time contribution by corporations equal to 3% of their 2015 taxable income; and

- a one-time yearly contribution of a day's salary for those earning between U.S.$1,000 and U.S.$2,000 a month; a two-times yearly contribution of a day's salary for those earning between U.S.$2,000 and U.S.$3,000 a month; a three-times yearly contribution of a day's salary for those earning between U.S.$3,000 and U.S.$4,000 a month; a four-times yearly contribution of a day's salary for those earning between U.S.$4,000 and U.S.$5,000 a month; a five-times yearly contribution of a day's salary for those earning between U.S.$5,000 and U.S.$7,500 a month; a six-times yearly contribution of a day's salary for those earning between U.S.$7,500 and U.S.$12,000 a month; a seven-times yearly contribution of a day's salary for those earning between U.S.$12,000 and U.S.$20,000 a month; and an eight-times yearly contribution of a day's salary for those earning more than U.S.$20,000 a month. People providing services or domiciled in the province of Manabí, canton Muisne and other affected districts of the province of Esmeraldas, and citizens of other provinces that would have been economically affected, according to the conditions established by the Internal Revenue Service, are exempt from making this contribution.

In an effort to promote the reconstruction of the territories affected by the Pedernales Earthquake, the Law of Solidarity was amended on February 21, 2019, by the Organic Law Reforming the Organic Code of Production, Trade and Investment, and the Organic Law of Solidarity, including measures such as assigning necessary funding for the development and implementation of new degrees in technical schools and universities in the provinces of Manabí and Esmeraldas, tailored to the specific needs of those territories, and the development of related infrastructure; mandating public banks to give preference in opening lines of credit to entrepreneurs and others involved in productive activities in those territories; and providing for special tax incentives for residents of those provinces.

Contingent credit lines with the IDB and the International Bank for Reconstruction and Development ("IBRD") totaled U.S.$229 million, credit lines with several international organizations totaled U.S.$513 million, including a U.S.$69 million loan from the World Bank, and other financings included a U.S.$100 million loan with CAF. Additionally, on July 8, 2016, the IMF approved a U.S.$364 million facility to help Ecuador meet costs related to damages to infrastructure, housing, and agriculture caused by the Pedernales Earthquake. The IMF disbursed the U.S.$364 million loan in a single, upfront disbursement with no conditionality. As of the date of this Offering Circular, contingent credit lines with the IDB and the IBRD have expired.

To date, six sources of financing have been used to address relief and restoration efforts in relation to the Pedernales Earthquake, the General State Budget, proceeds from the Law of Solidarity, contingent lines of credit, other types of credit, national and international donations and a debt exchange between Ecuador and Spain. On August 15, 2016, Fausto Herrera, former Minister of Finance, allocated U.S.$888 million for immediate attention to relief and restoration efforts in relation to the Pedernales Earthquake.

The Office of the Comptroller General has conducted special audits on the distribution of resources for relief and restoration efforts in relation to the Pedernales Earthquake, in some of which the Office of the Comptroller General identified certain irregularities in the process of providing such resources.

Historical Background

Until 1553, what is now Ecuador formed part of the northern Inca Empire. Under Spanish rule, Ecuador became a seat of the Spanish colonial government in 1563 and part of the Viceroyalty of New Granada in 1717. The territories of the Viceroyalty (New Granada (Colombia), Venezuela and Quito) gained their independence between 1819 and 1822 and formed a federation known as Gran Colombia. Quito withdrew from the Gran Colombia federation in 1830, and formed what was then known as the "Republic of the Equator."

The next 150 years were marked by domestic political instability and international border conflicts. Particularly, after the withdrawal from Gran Colombia, Ecuador saw a power struggle between conservatives from Quito and liberals from Guayaquil. Internationally, between 1904 and 1942, Ecuador lost territories in a series of conflicts with its neighbors, including a war with Peru in 1941.

After World War II, Ecuador saw periods of democratic rule juxtaposed with military dictatorships. Despite this instability, Ecuador's banana industry boomed in the 1950s as it became one of the largest exporters of the fruit in the world. In the 1970s, the discovery of new petroleum fields in the eastern provinces transformed Ecuador into a producer of oil and made oil the Republic's most important export commodity. The rise in oil exports fueled economic growth and brought sharp increases to spending and employment, financed mainly by external borrowing and oil revenues.

Although Ecuador marked 25 years of civilian governance in 2004, the period was marked by political instability. Protests in Quito contributed to the mid-term ouster of three of Ecuador's last four democratically elected Presidents. On April 2, 2017, Lenín Moreno was elected as Correa's successor. President Moreno assumed the post of President of Ecuador on May 24, 2017, for a four-year term.

Form of Government

Ecuador is a republic, with powers divided among five branches of government: executive, legislative, judicial, transparency and social control, and electoral branches. The 2008 Constitution provides for concurrent four-year terms of office for the President, vice president, and members of the National Assembly. Presidents and legislators may be re-elected immediately. Citizens must be at least 16 years of age to vote.

The President is the head of Government and head of state, and is elected by direct popular vote for a four-year term. The President's duties include the enforcement of the Constitution, the establishment of economic, trade and foreign policy, and the enforcement of domestic law and order. The President is also commander-in-chief of the armed forces and appoints ministers and heads the Government's cabinet. Former President Correa came into office in January 2007 under the previous Constitution, was re-elected in general elections held in February 2013, and finished his second term under the 2008 Constitution on May 23, 2017. President Moreno assumed the post of President of Ecuador on May 24, 2017 with Jorge Glas as vice president for a four-year term. On October 31, 2017, President Moreno was expelled from his post of president of the Alianza PAIS party by certain officials of the party's national directorate. The party's ethics committee suspended the officials behind this attempt for six months. Additionally, the *Tribunal de Garantías Penales de la Unidad Judicial de Quitumbe* (the "Tribunal of Penal Safeguards of the Quitumbe Judicial Unit") issued an injunction rendering the expulsion of President Moreno as president from his party without effect. On December 3, 2017, officials in favor of President Moreno's expulsion as president of the party held a convention unauthorized by officials in support of President Moreno appointing a new directorate of the Alianza PAIS party and conducted without representatives of the CNE. On January 15, 2018, the *Tribunal Contencioso Electoral* (the "Electoral Dispute Settlement Court") rejected the legitimacy of the directorate of the Alianza PAIS party composed on December 3, 2017 by officials in favor of President Moreno's expulsion ratifying the legitimacy of the Alianza PAIS party composed by officials supporting President Moreno.

The 2008 Constitution establishes a single chamber national assembly elected through direct popular vote for a four-year period. The National Assembly has 137 representatives, of which 15 are elected at the national level, two are elected per province, one additional provincial representative for every 200,000 inhabitants above 150,000 per province threshold, and six for Ecuadorians living abroad.

On February 19, 2017, the 2017 Election was held with eight candidates to replace former President Rafael Correa who served for 10 years. Lenín Moreno of former President Correa's Alianza PAIS party came in first and Guillermo Lasso of the CREO-SUMA party, came in second. A congressional election was also held on February 19, 2017 with Alianza PAIS preserving control of the legislative assembly by winning the majority of seats with 74 seats. CREO-SUMA won 28 seats and PSC won 15 seats. A run-off election between President Moreno and Mr. Lasso was held on April 2, 2017. President Moreno won with 51.16% of the vote. President Moreno assumed the presidency of Ecuador on May 24, 2017 with Jorge Glas as vice president for a four-year term. After the election, President Moreno stated, in light of Ecuador's economic climate, that Ecuador's priority is to push for economic and social development through generating employment, equality and social justice, eradicating extreme poverty and reducing inequality while maintaining dollarization.

Pursuant to Article 149 of the 2008 Constitution, the vice president performs all functions assigned to the post by the President. On August 3, 2017, President Moreno relieved vice president Glas of his official duties pursuant to Decree 100. As part of the revocation of functions assigned to the then vice president Glas under Decree 9, Decree 100 removed the then vice president Glas as member and official in charge of the Sectorial Council of Production, withdrew his duties to coordinate the execution of policies and projects of the productive sector as developed by ministries, secretariats and other member entities of the Sectorial Council of Production and removed the then vice president Glas as member and chair of the Committee for Reconstruction and Productive Recovery in the zones affected by the Pedernales Earthquake. Additionally, Decree 100 removed the then vice president Glas as member of the Advisory Council Executive Committee and also repealed all norms of equal or lower priority to an executive decree assigning functions to the then vice president Glas. Otherwise, Mr. Glas then retained the post of vice president. The then vice president Glas was subject to an investigation for allegedly accepting bribes from Odebrecht, a Brazilian conglomerate consisting of diversified businesses in the fields of engineering, construction, chemicals and petrochemicals. Odebrecht admitted as part of its plea agreement with the U.S. Department of Justice that it made and caused to be made more than U.S.$33.5 million in corrupt payments to government officials in Ecuador and intermediaries working on their behalf between 2007 and 2016. On September 28, 2017, Ecuador's

Attorney General presented charges related to allegations of corruption in Ecuador involving Odebrecht. The charges were presented to Ecuador's highest court, the National Court of Justice and included the former vice president, among others. The National Court of Justice decreed that the former vice president was not allowed to leave Ecuador. On October 2, 2017, the National Court of Justice decreed the preventive detention of the former vice president and ordered a freeze of his bank accounts. On October 4, 2017, President Moreno appointed the Minister of Urban and Housing Development, María Alejandra Vicuña Muñoz, as interim vice president. On October 16, 2017, Mr. Glas filed for recusal of the judge overseeing the investigation which led to the postponement of the conclusion of the investigation until the motion for recusal has been resolved. Mr. Glas' motion for recusal of the judge overseeing his case was denied. On November 10, 2017, Ecuador's Attorney General accused the former vice president of unlawful association related to Odebrecht. On November 14, 2017, the National Justice Court ordered the trial of the former vice president for unlawful association related to Odebrecht and subsequently held the first hearing where the parties presented their opening arguments on November 24, 2017. On December 8, 2017, hearings for this trial concluded. On December 13, 2017, the former vice president Glas received a six-year prison sentence in connection with the unlawful association investigation related to Odebrecht. The former vice president appealed this sentence. On June 8, 2018, the National Court of Justice denied the former vice president's appeal. After confirmation that the former vice president could no longer retain his post as vice president on January 6, 2018, the National Assembly elected María Alejandra Vicuña Muñoz as the vice president of Ecuador until 2021. Separate from the judicial proceeding, on November 7, 2017, certain legislators submitted a request to the Investigative Commission to initiate a political trial (impeachment) against the former vice president. On January 7, 2018, the Investigative Commission terminated the political proceedings against the former vice president concluding that it did not have the authority to impeach a former political office-holder. Mr. Glas further appealed his sentence, which the National Court of Justice dismissed on October 16, 2019, confirming his sentence. On December 20, 2019, the National Electoral Council approved its report containing the council’s findings on the Bribe 2012-2016 investigation over alleged ilicit campaign contributions made to the Alianza PAIS party from 2012 to 2017. On January 3, 2020, at a preliminary hearing, a judge at the National Court of Justice ordered former President Correa, former vice president Glas, and several former ministers and government officials to stand trial over their alleged involvement in the Bribe 2012-2016 case.

On December 3, 2018, President Moreno relieved vice president María Alejandra Vicuña Muñoz of her official duties amidst an undergoing corruption scandal that spurred a criminal investigation into her vice presidency. Secretary of the Presidency, José Augusto Briones, was temporarily assigned the duties of the office of the vice president. The day after, on December 4, 2018, the vice president resigned her post. On December 6, 2018, a shortlist of three candidates proposed by the President was submitted to the National Assembly. On December 11, 2018, the National Assembly appointed economist Otto Ramón Sonnenholzner Sper as the new vice president of Ecuador.

On August 7, 2017, President Moreno announced the implementation of austerity measures, including that real property owned by the public company "Inmobiliar" would be offered for sale and the proceeds invested in the Housing for All Program to generate employment and grant access to housing to the poorest families in the country. The Housing for All Program includes the construction of 325,000 houses between 2017 and 2021 out of which 191,000 will be granted to the public free of cost and 134,000 will be financed at a low cost. Construction of housing under the Housing for All Program is expected to generate more than 136,000 jobs. Following his announcement, on September 1, 2017, President Moreno issued a decree (the "Austerity Decree") establishing new optimization and austerity measures focusing on the reduction of labor, goods and services costs. As part of the measures for the reduction of labor costs, the Austerity Decree imposes, among others, a hiring freeze for Government employees, the unification of the salary scales of all public employees (with a 10% reduction in the salary of those with monthly salaries between U.S.$2,368 and U.S.$6,261), the creation of a pool of workers that may be reassigned to other public entities and a limitation on overtime wages. Additionally, as part of the measures for the reduction of expenditure in goods and services, the Austerity Decree imposes, among others, a prioritization of hiring local workers, the sale of luxury vehicles, a restriction on the purchase of new vehicles, a limitation on travel expenses and the sale of unproductive real property.

On October 2, 2017, President Moreno presented the following questions to the Constitutional Court for its pronouncement about the constitutionality of the subjects addressed in the questions with the intention of submitting the questions to a national referendum to be convened by the CNE:

- whether those convicted of corruption related offenses should lose their political rights and whether their property should be confiscated;

- whether an election should be held to replace the current members of the *Consejo de Participación Ciudadana y Control Social* (the "National Council for Citizen Participation and Social Control");

- whether to reverse the recent constitutional amendment which allows indefinite reelection, instead limiting officials to a single reelection to the same office;

- whether to eliminate the Law to Eliminate Speculation and Tax Fixing;

- whether to reduce the area in the Yasuni national park under oil exploitation and add 50,000 hectares to the protected area in this park;

- whether to prohibit metal mining in urban and protected areas; and

- whether the statute of limitations should be eliminated for sexual abuse crimes against children and adolescents.

The presidency of the Republic provided additional background on the first question above and stated that the question contemplates whether public servants or public officials convicted of corruption should not only lose their political rights but also whether the companies linked to these cases should be banned from further contracting with the Republic if found responsible. Arguing that the Constitutional Court failed to respond within the time period stipulated by law, President Moreno issued decrees No. 229 and No. 230 on November 29, 2017, directing the National Electoral Council to convene a plebiscite in which Ecuadorians would vote on the abovementioned questions. Executive decree No. 229 addresses the first, second, third, sixth and seventh questions and executive decree No. 230 addresses the fourth and fifth questions. On December 7, 2017, the National Electoral Council scheduled the national referendum and popular consultation for February 4, 2018. On January 3, 2018, the campaign period for the referendum and popular consultation began. The National Electoral Council selected 40 organizations for the campaign, 36 of which promoted the "YES" vote and 4 of which promoted the "NO" vote in relation to some or all of the questions. The results of the vote were published on February 14, 2018 with the "YES" being the most voted option for all of the questions. The votes in favor of questions 1 through 7 of the total votes validly cast were 73.71%, 64.20%, 63.08%, 73.53%, 68.62%, 63.10% and 67.31%, respectively.

On October 11, 2017, President Moreno announced a number of economic measures intended to reactivate the economy, protect dollarization and finance social programs. As a result, on November 29, 2017, the National Assembly approved the *Ley Orgánica para la Reactivación de la Economía, Fortalecimiento de la Dolarización y Modernización de la Gestión Financiera* (the "Organic Law for the Reactivation of the Economy, Strengthening of Dollarization and Modernization of Financial Management"). On December 11, 2017, President Moreno partially objected to the passing of the law. On December 29, 2017, the law was published and became effective after undergoing certain amendments pursuant to President Moreno's objection. Some of the main measures included in this law are:

- tax incentive measures intended to benefit microenterprises, small businesses, cooperatives, and associations;

- an increase of 3% to the corporate income tax, with corporations that were subject to a 22% tax rate now subject to a 25% tax rate;

- electronic means of payment will be managed by entities of the private financial system with the objective of effectively substituting physical money;

- the elimination of income tax for the first U.S.$11,290 of the income of small enterprises;

- the elimination of income tax for new microenterprises for the first three years from the date they begin generating operating income;

- the elimination of the land tax;

- the simplification of the procedure to domicile foreign companies to Ecuador; and

- an extension of the prohibition to execute foreign judgments on property located in Ecuadorian territory when those judgments arise from extrajudicial documents for foreclosures of mortgage loans granted abroad.

On April 2, 2018, President Moreno presented an economic plan to (i) stabilize Ecuador's fiscal profile, (ii) restructure and reduce the size of the Government and enact institutional austerity measures, (iii) increase exports and sustain dollarization, and (iv) stimulate the economy through measures strengthening the private sector. This plan includes, among other measures, the merging of certain Ministries.

On August 21, 2018, President Moreno announced a series of austerity measures as part of the new Plan of Prosperity, the main purpose of which is to reduce government spending by U.S. $1.3 billion annually and increase revenue generation, in order to reach primary fiscal balance and a global fiscal balance below 1% by 2021. The Plan of Prosperity focuses on (i) fiscal responsibility and public sector, (ii) support for low-income Ecuadorians, and (iii) Central Bank reform. Under the fiscal responsibility and public sector prong, the Plan of Prosperity seeks to (a) reduce the number of government agencies through mergers and closures, (b) reduce government spending on transportation and security of senior officials, (c) reduce public procurement to a minimum, with increased transparency and control, (d) implement, together with the assistance of the CAF and the IDB, a corporate reform with respect to state-owned companies including privatizations, mergers and liquidations, as well as internal changes in public-sector companies to align salaries to those of private sector employees, (e) update the country's legal and institutional framework for public-private partnerships to include major infrastructure projects, (f) continue to enhance Ecuador's credibility in the international capital and financial markets, as well as increase access to funding sources and improve the country's debt profile, (g) maintain the current oil output target of 700,000 bpd and further invest in the mining sector, and (h) continue to analyze the allocation of fuel subsidies.

With a portion of the savings derived from the measures discussed above, President Moreno aims to expand social services to over 103,000 families in need of financial support, and has also designed a U.S.$1.3 billion credit plan to provide funding for small enterprises such as crafts, small industries, agriculture and construction.

The third prong of the Plan of Prosperity relates to the reform and strengthening of the Central Bank in order to create a reliable and robust monetary authority, with sufficient assets to provide liquidity for economic growth. This reform will include a plan for the full repayment of government debts owed to the Central Bank within the next five years, as well as an exchange, for domestic bonds, of certain illiquid shares in public-sector banks that were previously transferred to the Central Bank in lieu of repayment.

The following table shows the composition of the National Assembly as of the date of this Offering Circular:

Political Party	Number of Members
Alianza PAIS	43
Independientes	7
Izquierda Democrática	1
Movimiento CREO	26
Movimiento SUMA	5
Movimientos Provinciales	4
Pachakutik	5
Partido Social Cristiano	16
Sociedad Patriótica	2
Other political groups	28
Total	**137**

Source: National Assembly.

Ecuador is administratively divided into 24 provinces and 221 municipalities. Each province is governed by a prefect who is popularly elected. The Government also designates a governor for each province that coordinates and administers the initiatives of the Government; while mayors, who are elected by popular vote, govern municipalities. Each of the 24 provinces has a popularly elected provincial council headed by a prefect. A municipal council is responsible for the government of each municipality. All provincial and municipal officials are popularly elected to four-year terms. Provincial and municipal elections were held on March 24, 2019.

The judicial system consists of the National Court of Justice; *Cortes Provinciales de Justicia* ("Provincial Courts of Justice"); and *Tribunales Unidades Judiciales* ("First Instance Courts"). The National Court of Justice is composed of 21 judges appointed by the *Consejo de la Judicatura* ("Judiciary Council"), which is in charge of regulating, administering and auditing the judicial branch. The Judiciary Council is comprised of nine standing members with their respective alternates, who perform their duties for a six-year term of office and cannot be reelected. The designation of the standing members of the Judiciary Council and their alternates takes place by a competitive merit-based examination process, subject to citizen oversight. Issues relating to the 2008 Constitution, including the modification or amendment thereof, are reserved to the Constitutional Court. The Constitutional Court is composed of nine members who are selected by a commission composed of eight members appointed from the various branches of government. Each member of the Constitutional Court is appointed to a nine-year term and may be re-elected at the end of their term.

In addition, the 2008 Constitution recognizes the possibility for indigenous communities to exercise their judicial authority in accordance with their traditions and their own sets of rules. The exercise of this authority must comply, and must not conflict with, the rights set forth by the 2008 Constitution and by international treaties ratified by the Republic.

The 2008 Constitution also creates two additional branches of government. *La Función de Transparencia y Control Social* (the "Transparency and Social Control Branch") is intended to serve as the auditor of the Government and of private entities that contribute to the Republic's general welfare. It is comprised of the Office of the Comptroller General, the Counsel of Citizen Participation and Social Control, various superintendent organizations including the *Superintendencia de Bancos* ("Superintendent of Banks"), and the *Defensoría del Pueblo* (the "Public Defender"). The Counsel of Citizen Participation and Social Control appoints the chief executive of each superintendent organization, Office of the Comptroller General, the Public Defender and the Attorney General. It is also the entity principally responsible for corruption investigations and establishing citizens' committees for public consultation prior to the enactment of laws according to the 2008 Constitution. The purpose of these citizens' committees is to increase citizen participation and involvement in the democratic process and create an informed population who perform an active role in the enactment of laws.

The purpose of the *Función Electoral* (the "Electoral Branch") is to provide oversight for the Republic's political parties and elections. The Electoral Branch is comprised of the National Electoral Council and the Electoral Dispute Settlement Court. The National Electoral Council organizes and oversees elections to ensure transparency and compliance with election law, supervises the activities of political parties, and establishes a civil

registry. The Electoral Dispute Settlement Court hears and resolves, among others things, disputes regarding campaign finance violations and settles election results appeals.

Review and Audit by the Office of the Comptroller General

Under the General Comptroller Law, the Office of the Comptroller General has the authority to examine the use of public resources by both public and private institutions. Following the amendment to the 2008 Constitution on December 21, 2015, the Office of the Comptroller General does not have the authority to audit the management of public resources under principles of effectiveness, efficiency and economy (*auditoria de gestión*), but it may still conduct a legality, financial and/or administrative audit. More specifically, according to Article 19 of the General Comptroller Law, the Office of the Comptroller General has the authority to carry out special audits to verify limited aspects of governmental activities under these parameters.

In July 2017, the Office of the Comptroller General headed by Dr. Pablo Celi announced pursuant to *Acuerdo* 024-CG-2017 its intention to conduct a special audit on the legality, sources and uses of all the internal and external debt of the Republic incurred between January 2012 and May 2017, as authorized by Ecuadorian law to examine acts of public entities. The Office of the Comptroller General previously, in 2015 and 2017, audited all of the Republic's internal and external debt borrowed or issued through 2015 and found no illegalities in the process of borrowing or issuing debt. The review included, among others, the Ministry of Economy and Finance, the Central Bank and SENPLADES. The Special Audit was carried out by the Production, Environment and Finance Audit Department of the Office of the Comptroller General, and was led by a Supervisory Auditor. *Acuerdo* 024-CG-2017 also provided that the Office of the Comptroller General could obtain specialized technical advice, in accordance with Article 89 of the General Comptroller Law, and provided for the establishment by invitation of a citizen oversight commission composed of nationally recognized professionals to participate in different stages of the special audit, a possibility not expressly regulated by law.

On January 8, 2018, the Comptroller General announced the creation of the Citizen Oversight Commission composed of Ecuadorian professionals, including former high level public officials such as a former vice president of the Republic, two former Comptrollers General, and a former Minister of Economy and Finance, to observe the procedures and methodology relating to the Republic's incurrence of debt from January 2012 through to May 2017. The Comptroller General indicated that, "the observers will be able to look into the findings, conclusions and recommendations" and "contribute with their technical criteria, specialized opinions, analytical perspective and even with complementary information." The Office of the Comptroller General also declared that the Citizen Oversight Commission does not replace the Comptroller General in its functions and powers, and that its findings will not be binding; rather it is intended that the participation of the Citizen Oversight Commission will promote transparency.

In relation to the Special Audit and the creation of the Citizen Oversight Commission, the Office of the Presidency issued a press release, on January 10, 2018, indicating that the Government "ratifies its respect for the independence and autonomy of the different entities and of control bodies of the State" and that the decision to set up an ad-hoc oversight organization to participate in the Special Audit being conducted by the Office of the Comptroller General on the Special Audit will be conducted "within the constitutional, legal and current regulations to guarantee its legality and objectivity." Also, the Office of the Presidency reiterated that the Republic has "the political will and the financial capacity to guarantee the strict compliance with all its international financial commitments under the terms and conditions on which they were contracted."

The Special Audit concluded on April 6, 2018, when the Office of the Comptroller General issued its CGR Audit Report including: (i) conclusions of the Special Audit conducted; and (ii) recommendations regarding actions related to specific contracts or methodologies (according to the law, these recommendations are mandatory for public entities and cannot be challenged). The Special Audit did not result in the annulment of previous acts, or the invalidation of existing contracts, which may only occur with judicial intervention in a proceeding initiated before Ecuadorian courts.

The CGR Audit Report concluded that certain rules that defined the methodology to calculate public debt were replaced with laws and regulations that allowed for discretion in the application and use of certain concepts related to public debt and, specifically, that the amounts of advance payments pursuant to certain commercial agreements providing for the advance payment of a portion of the purchase price of future oil deliveries should have

been categorized as public debt and included in the calculation of the public debt to GDP ratio. The CGR Audit Report also concluded that Decree 1218 of 2016 established a methodology for the calculation of public debt in relation to GDP (based on the total consolidated public debt methodology set out in the Manual of Public Finance Statistics of the IMF) which was not consistent with Article 123 of the Public Planning and Finance Code and deviated from the practice of using the aggregation of public debt methodology for the purpose of establishing whether the public debt to GDP ceiling of 40% had been exceeded. Consequently, Decree 1218 allowed the Government to enter into certain debt transactions without obtaining the prior approval of the National Assembly despite the fact that, according to the Office of the Comptroller General, the total public debt to GDP ratio would have exceeded the 40% limit established in Article 124 of the Public Planning and Finance Code had Decree 1218 not been in place.

The CGR Audit Report also set forth some conclusions and recommendations regarding certain interinstitutional agreements between the Ministry of Economy and Finance and Petroecuador, and found deficiencies in the filing of debt documentation; the implementation of the agreed joint office for the management and monitoring of certain credit agreements between the Ministry of Economy and Finance and China Development Bank; and, the confidential nature of certain finance documents relating to public debt.

On April 9, 2018, during the presentation of the CGR Audit Report to the public, the Office of the Comptroller General announced that the Special Audit resulted in indications of: (i) administrative liability of certain public officials, which may lead to the dismissal of those officials; (ii) civil liability of certain current or former public officials, which may lead to fines if those officials acted in breach of their duties; and (iii) criminal liability of certain former or current public officials. Civil and administrative indications of liability are reviewed by the Office of the Comptroller General. If the Office of the Comptroller General finds that such former or current officials acted in breach of their duties, it will issue a resolution determining civil and/or administrative liability. A final resolution from the Office of the Comptroller General may be appealed to the district administrative courts.

In April 2018, the Office of the Comptroller General delivered to the Office of the Prosecutor General a report regarding the indications of criminal liability of certain former or current public officials. Based on that report, the Office of the Prosecutor General initiated a preliminary criminal investigation against former President Correa, three former Ministers of Finance and another seven former or current public officials of the Ministry of Economy and Finance. During the preliminary criminal investigation phase, which may last up to two years, the Office of the Prosecutor General will review evidence to determine if a crime has been committed. Once the preliminary investigation is completed, the Office of the Prosecutor General may request the competent judge to hold an indictment hearing with respect to any of the officials currently under investigation. If a judge determines that there are grounds for an indictment, a 90-day period will commence in which the Office of the Prosecutor General will conclude its investigation and issue a final report. The final report will be presented before the criminal court but the alleged offenders will not be found guilty unless, after trial, the offenders are found to be criminally liable.

The CGR Audit Report recommended that, in order to reconcile amounts comprising public debt, the Public Planning and Finance Code should be amended and Decree 1218 should be repealed with respect to the calculation of the total public debt to GDP ratio to ascertain the actual value of total public debt and determine if that amount exceeded the 40% debt to GDP ratio set out in Article 124 of the Public Planning and Finance Code. Following these recommendations, on June 21, 2018, the National Assembly passed the Organic Law for Productive Development which became effective on August 21, 2018, which expressly confirms that certain activities and instruments are considered a contingent liability, and therefore are not included in the calculation of the total public debt to GDP ratio, and provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply. The law also provides for the implementation of a fiscal stability plan by the Ministry of Economy and Finance for the period from 2018 to 2021. The new law sets forth that in each subsequent fiscal year after the period from 2018 to 2021, the General State Budget must be presented with a fiscal program aimed at reducing over time the amount of total public debt relative to GDP, until it reaches a level below the 40% debt to GDP ratio. The new law also mandated that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, to be in accordance with article 123 of the Public Planning and Finance Code (as amended), internationally accepted standards and best practices for the registration and disclosure of public debt, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability.*" On October 15,

2018, President Moreno issued Decree 537 repealing Decree 1218 in its entirety, which became effective on October 30, 2018, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*".

On November 19, 2018, the Ministry of Economy and Finance issued the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the New Methodology, which provides that the calculation of the public debt to GDP ratio is to be based on total public debt as published in the official aggregate financial statements and the latest nominal GDP as published by the Central Bank. The New Methodology defines total public debt as the sum of the public debt incurred by the entities comprising the public sector and adds certain debt instruments to the calculation of public debt that were not previously included, including oil presales, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*." The April 2019 Debt Bulletin was the first report on public debt issued that followed the New Methodology. The Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology provides that by November 14, 2019, the Ministry of Economy and Finance was required to publish public debt figures calculated using the New Methodology going back to October 2010. Such deadline has not been met due to unexpected delays in gathering and consolidating the data, with the release of these updated public debt figures expected within the weeks following this Offering Circular. Once these past public debt figures are published using the New Methodology, those numbers may vary from the public debt figures presented in this Offering Circular for the comparable period which were calculated based on the old methodology.

On December 20, 2018, the Regulation to the Organic Law for Productive Development became effective amending, among others, article 133 of the Rules to the Public Planning and Finance Code to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the central government in a period of no more than 60 days after the end of each month. These amendments also provide that in establishing the total amount of public debt, the Ministry of Economy and Finance will consider the aggregate public debt/GDP indicator of the entities constituting the public sector. This indicator will be calculated and projected based on the public debt aggregate statements, at least for the final balances, for the following four years. Among other provisions, the regulation provides guidance for calculating the debt to GDP ratio for these purposes, as well as for reducing the balance of the public debt below 40% and for ensuring that the balance of the public debt does not exceed 40% of GDP after it has been reduced, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability.*"

The Office of the Comptroller General had previously conducted audits, in 2015 and 2017, of all internal and external debt issued between 2009 and 2015 without finding any illegalities in the process of borrowing or issuing debt.

The Special Audit has resulted in additional audits, including: (i) an examination finalized in July 2018, regarding the issuance, placement and payment of CETES by the Republic; an examination finalized in April 2019, regarding the contracts with service providers (including lawyers, banks, financial agents and other firms) involved in public debt transactions, covering the period between January 1, 2012 and December 31, 2017; an examination finalized in April 2019, regarding the Republic's use of shares of public banks to pay the Central Bank of Ecuador, covering the period between January 1, 2016 and December 31, 2017; an examination finalized in May 2019, regarding the entry, registration and use of funds from oil presale contracts, covering the period between January 1, 2012 and December 31, 2017; and a follow-up examination finalized in May 2019, regarding the application of the recommendations under the CGR Audit Report, covering the period between April 6, 2018 and October 31, 2018; and (ii) an ongoing examination regarding the GSI Loan Facility, the Gold Derivative Transaction and the Bond Derivative Transaction, see "*Public Debt—GSI Loan Facility.*"

The special examination of the process of issuance, placement and payment of CETES by the Republic between January 1, 2016 and December 31, 2017 concluded with the CGR CETES Report. The CGR CETES Report concluded that: (i) CETES were renewed and placed for periods longer than the 360-day period allowed by the Public Planning and Financing Code; (ii) CETES were delivered as payment instruments to pay debts, contrary to their purpose of being used to obtain resources to finance deficiencies in the fiscal accounts; and (iii) CETES were delivered to the Central Bank of Ecuador in exchange for other internal debt instruments already due, contrary to the nature of the CETES of being used to obtain resources to finance deficiencies in the fiscal accounts. In the CGR CETES Report, the Office of the Comptroller General recommended partially repealing Decree 1218 so that

short-term securities with a term of "less than 360 days" are excluded from the calculation of total public debt, instead of short-term securities with a term of "up to 360 days" as it was set forth in Decree 1218. Decree 537 repealed Decree 1218 on October 30, 2018, see "*Public Debt— Methodology for Calculating the Public Debt to GDP Ratio.*" On July 4, 2018, the Office of the Comptroller General delivered to the Office of the Prosecutor General a report with findings of criminal liability in respect of former President Correa, former Ministers of Economy and Finance and former general managers of the Central Bank of Ecuador, among others. Once the Office of the Prosecutor General completes the preliminary criminal investigation, which may last up to two years, it may request an indictment hearing with respect to any of the officials currently under investigation. If a judge determines that there are grounds for an indictment, the Office of the Prosecutor General will conclude its investigation and issue a final report within 90 days to the criminal court. Following an indictment, the court would hold a pre-trial hearing. The alleged offenders would not be considered criminally liable unless determined through a trial process.

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

Recent measures by President Moreno

On May 23, 2017, President Moreno announced the members of his cabinet, composed of 23 ministers, 12 secretaries and 8 managers and directors of state-owned companies. President Moreno's cabinet included former ministers under former President Correa's cabinet such as the Minister of Education, the Minister of Health and the Minister of the Interior.

As part of the Government's plan to restructure and reduce the size of the Government and enact institutional austerity measures:

- As of the date of this Offering Circular, President Moreno has decreed and completed the elimination of 19 entities including ministries and secretariats, the merger of ten such entities and the creation of five new ones;

- President Moreno decreed the reduction by 10% and 5% of the salaries of high and mid-level government officials, respectively;

- On February 6, 2019, the Public Companies Coordinator Company requested from the country's public companies a plan to gradually reduce their payrolls by 10%, amounting to approximately 3,000 to 3,500 layoffs and approximately U.S.$60 million in annual savings; and

- Between December 2018 and February 2019, the Government laid off 11,820 employees in the public sector, of which 8,916 belonged to the executive branch, 207 to the judicial branch, 556 to the legislative branch, and the rest to other public entities. Most of these layoffs consisted of employees under temporary or occasional—related to a particular need of the employer not in the ordinary course of business—employment contracts.

On June 22, 2017, through executive decree No. 50, President Moreno created the Production and Taxation Advisory Council which is headed by the Ministry of Production, Foreign Trade and Investment and establishes a dialogue between the public and private sectors. The Production and Taxation Advisory Council has an executive committee (the "Advisory Council Executive Committee") in charge of channeling and evaluating the proposals and recommendations developed through dialogue. Six delegates of the executive branch and six delegates of the private and economic and solidarity sectors, the latter of which is composed of the cooperative, associative and community organizations, form the Advisory Council Executive Committee.

On August 23, 2018, the *Consejo de Participación Ciudadana y Control Social Transitorio* (the "Transitional Citizen Participation and Social Control Council") resolved to prematurely end the tenure of all justices of the Constitutional Court based on alleged irregularities in their appointment and lack of judicial independence and impartiality, and declared a 60-day recess period from the day of approval of the rules that would

be followed to appoint the new members of the Court. The Transitional Citizen Participation and Social Control Council finished conducting public evaluations and examinations on 23 candidates in January 2019, of which the nine candidates with the highest scores were appointed to the Court on February 5, 2019. Members of the Constitutional Court are appointed for a nine-year period.

For the second time in his presidency, on November 22, 2018, President Moreno requested his entire cabinet to submit their resignation. On November 25, President Moreno ratified the Minister of Economy and Finance, Richard Martínez, and the Minister of Foreign Affairs and Human Mobility, José Valencia. On December 3, 2018 President Moreno appointed seven new cabinet members including the new ministers of Education, Tourism, and for the Environment, as well as four other Secretaries of State.

On December 21, 2018, President Moreno issued Decree 619 eliminating the subsidy on certain types of gasoline and diesel, consequently increasing their prices for consumers. On January 7, 2019, following negotiations with representatives of the transportation sector, and in order to prevent a surge in general consumer prices, the Government agreed to keep in place the subsidy on automotive diesel. On January 12, 2019, the Government agreed with the shrimp industry to establish a compensation system for shrimp producers to minimize the effects of Decree 619 on the shrimp sector. Under Decree 619, the base price of high-octane gasoline "super" for the automotive sector is determined on a monthly basis by Petroecuador based on the international WTI price per barrel of crude oil plus average costs, including transportation, storage, commercial and other costs. At a consumer level, retailers will set their selling price based on market conditions. Under Decree 619, however, the price of diesel for the automotive sector remained fixed at U.S.$1.037.

On December 21, 2018, President Moreno issued decree No. 624 reducing by 10% and 5% the salaries of high and mid-level government officials, respectively.

On May 13, 2019, President Moreno issued decree No. 732 eliminating SENPLADES and replaced it with the newly-formed Technical Secretariat for Planning, which secretariat is now responsible for across-the-board national planning.

On October 1, 2019, President Moreno issued Decree 883 expanding the scope of the liberalization of prices for hydrocarbons by eliminating the subsidy on certain types of gasoline and diesel and thereby increasing the prices for these fuels. Following the elimination of the subsidies, prices for gasoline type "extra" and diesel for the automotive sector began to be set on a monthly basis by Petroecuador based on average prices and costs.

On October 3, 2019, various groups organized protests relating to the elimination of the subsidies and increase in prices. On October 14, 2019, President Moreno issued Decree 894 terminating Decree 883, reversing the elimination of the subsidies and ordering the creation of a new policy on subsidies for hydrocarbons. Decree 894 did not set a deadline to implement this new policy. By reversing the elimination of the subsidies, Decree 894 returned the price of gasoline and diesel to the prices existing on October 1, 2019. Decree 894 commits the Government to design a more targeted subsidy policy through a new decree. On December 21, 2019, President Moreno announced that a new proposed policy is being reviewed with emphasis being put on strategies to eradicate the contraband of subsidized products and on determining which sectors and groups to focus the new subsidies policy on and is expected to be implemented between the months of February and April 2020.

On October 18, 2019, President Moreno presented before the National Assembly the draft Law on Economic Development, aimed at reforming several of the Republic's tax and financial laws. Specifically, the Law on Economic Development's objective was to, on the one hand, increase revenue by U.S.$450 million by progressively taxing corporations and individuals with higher yearly income, and imposing new taxes such as a tax on plastic bags and e-cigarettes; and in addition introducing a number of measures to create (a) a more efficient tax system for taxpayers and (b) reforming certain aspects of Ecuador's financial laws and regulations to, among other objectives, (i) enhance fiscal sustainability establishing stricter budget controls and (ii) strengthen dollarization by enhancing the Central Bank's autonomy. After the protests held in October 2019, President Moreno modified the proposed draft Law on Economic Development to remove the elimination of gas subsidies as part of the draft law.

On November 17, 2019, the National Assembly voted to reject the draft Law on Economic Development. In response, on November 21, 2019, President Moreno presented the draft Organic Law on Tax Simplification,

replacing the draft Law on Economic Development with respect to certain aspects of the intended tax reform. The Organic Law on Tax Simplification was first approved by the National Assembly on December 9, 2019, and after a Presidential partial veto, it was finally approved on December 30, 2019, and became effective on December 31, 2019. The Organic Law on Tax Simplification eliminates income tax advances, VAT and Special Consumption Tax ("ICE") on certain products and services (e.g. certain web services, and electric and public vehicles), provides for 100% debt relief of interest and charges on certain student loans, a progressive taxing calendar for corporations and individuals with higher yearly income, and imposes new special taxes on supermarket plastic bags, certain mobile services and certain beers, among other tax reforms targeting certain micro-entrepreneurs, immigrants, exporters, agricultural manufactures, and others.

The Government indicated in its Updated Memorandum of Economic and Financial Policies presented to the IMF on December 11, 2019, that it is currently studying a new draft law modifying certain aspects of the banking and monetary reforms intended under the draft Law on Economic Development. Presentation to the National Assembly of amendments to the Public Planning and Finance Code are expected by the end of February 2020, and presentation of amendments to the Organic Monetary and Financial Law, after consultation with various stakeholders and building consensus, are expected by April 2020, see "*Public Debt—IMF's Extended Fund Facility*."

Data Breach

On September 11, 2019, an internet security firm issued a report that stated that it had uncovered a major data breach of personal information of Ecuador's population contained on an unsecured server maintained by a marketing firm. According to the report, the breach may involve personal information with respect to the entire Ecuadorian population and information leaked included information contained in government registries and records, including identification numbers and records and home addresses. The Attorney General and other government officials have confirmed the breach and launched an investigation. In response to the breach, on September 19, 2019, the President submitted to the National Assembly a draft law on protection of personal data, currently under review and debate. On October 3, 2019, the National Assembly's International Relations Commission approved initiating an investigation into the data breach. As of the date of this Offering Circular, this investigation had not yet concluded.

Memberships in International Organizations and International Relations

International Organizations

Ecuador has diplomatic relations with approximately 105 countries, and is a member of a number of international organizations, some of which include the United Nations, OPEC, the OAS, the World Health Organization, the Community of Latin American and Caribbean States ("CELAC") and UNASUR. On March 13, 2019, the Republic gave UNASUR formal notice of Ecuador's application to terminate its membership in UNASUR. Under the Republic's constitution, the government's decision to exit UNASUR requires approval by the National Assembly. Under UNASUR's constitutive treaty, the Republic's exit will be binding six months after the date of formal notice provided that the Republic's internal approvals are satisfied. On March 22, 2019 President Moreno met with other presidents of South America in Chile to discuss the creation of PROSUR, an initiative by the Chilean and Colombian presidents for a new regional organization that would replace UNASUR. On September 17, 2019, the National Assembly voted in favor of denouncing UNASUR's constitutive treaty, enabling President Moreno to formally withdraw Ecuador from the international organization in November 2019.

In 2007, Ecuador rejoined OPEC as a full member after 15 years of absence, having left due to OPEC's membership fee and its increase in production quotas. Ecuador decided to rejoin OPEC due to benefits of the global producer network and the access to information that OPEC provides to its members. In September 2014, Ecuador joined OPEC's Fund for International Development, a development fund to stimulate economic growth and alleviate poverty in disadvantaged regions of the world. On October 1, 2019, the Ministry of Energy and Non-Renewable Natural Resources announced that Ecuador will no longer be a member of OPEC citing the enhancement of the country's fiscal sustainability as the reason for the decision. Effective January 1, 2020, Ecuador is no longer a member of OPEC.

On July 2, 2009, former President Correa issued a decree declaring that Ecuador was terminating its agreement as a member of the ICSID. The decree stated that the ICSID Convention violated principles of sovereignty enshrined in Article 422 of Ecuador's 2008 Constitution, which provides the rules for submission to arbitration proceedings by Ecuador as a sovereign. Notwithstanding the foregoing, Ecuador is a member of UNCITRAL and is still a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958.

Ecuador continues to be a member of both the IMF and the World Bank. On July 8, 2016, the IMF approved a U.S.$364 million facility to help Ecuador meet costs related to damages to infrastructure, housing, and agriculture caused by the Pedernales Earthquake. The IMF disbursed the U.S.$364 million loan in a single, upfront disbursement with no conditionality. On March 11, 2019, the executive board of the IMF approved a U.S.$4,200 million arrangement under the IMF's Extended Fund Facility, enabling the disbursement of U.S.$652 million, which was made on March 13, 2019. On June 28, 2019, the IMF's Executive Board completed its first review of Ecuador's economic performance under Ecuador's arrangement with the IMF under the Extended Fund Facility, which allowed Ecuador to draw U.S.$251 million from the facility on July 2, 2019. For more information on the IMF's Extended Fund Facility, see "*Public Debt—IMF's Extended Fund Facility.*"

In March 2019, the Minister of Economy and Finance of Ecuador presented its application to become a member of the OECD's Development Centre. As part of that process, the Republic will become a signatory to several OECD undertakings, including anti-bribery and foreign investment, will participate in OECD's regional program for Latin America and the Caribbean and will produce a country-level multidimensional assessment with an emphasis on productivity. On May 21, 2019, Ecuador became a member of the OECD Development Centre.

Treaties and Other Bilateral Relationships

Since 1965, Ecuador has negotiated 30 bilateral investment treaties out of which 27 have been entered into. The treaties negotiated with Panama and Costa Rica were not executed. Ecuador negotiated a treaty with Russia which Russia did not ratify. The bilateral investment treaty between Ecuador and Egypt terminated in 1995. Following the enactment of its 1998 Constitution, Ecuador denounced nine treaties. Those entered into with Uruguay, the Dominican Republic, Guatemala, El Salvador, Cuba, Nicaragua, Honduras, Paraguay and Romania are no longer in force. In accordance with the 2008 Constitution, Ecuador rejected its bilateral investment treaty with Finland.

In the first quarter of 2017, Ecuador was still a party to bilateral investment treaties with Argentina, Bolivia, Canada, Chile, China, France, Germany, Spain, Italy, the Netherlands, Peru, Spain, Sweden, Switzerland, the United Kingdom, the United States, and Venezuela. On May 3, 2017, the National Assembly rejected the bilateral investment treaties with Argentina, Bolivia, Canada, Chile, China, Italy, the Netherlands, Peru, Spain, Switzerland, the United States and Venezuela on the basis that these treaties favored private investors over the interests of the Republic. This rejection initiated a process of withdrawal of Ecuador from these bilateral investment treaties, although the negotiation of new bilateral investment treaties with certain of these countries is under consideration. Investments made during the term of these treaties will still be subject to its protections despite Ecuador's withdrawal which could have an effect on prospective investments following withdrawal. Bilateral investment treaties with the following countries have already either been terminated or expired: Cuba, the Dominican Republic, El Salvador, Finland, Guatemala, Honduras, Nicaragua, Paraguay, Romania and Uruguay.

On May 8, 2017, the president of the *Comisión para la Auditoria Integral Ciudadana de los Tratados de Protección Recíproca de Inversiones y del Sistema de Arbitraje en Materia de Inversiones* ("CAITISA") delivered the final audit report on 27 bilateral investment treaties to former President Correa, which finalized a process initiated in 2008. The audit report concluded that bilateral investment treaties are not useful for attracting foreign direct investment, because Ecuador only received 0.79% of the global foreign direct investment that flowed to Latin America and the Caribbean. The principal sources of foreign direct investment that flow into Ecuador are from Brazil, Mexico and Panama, none of which have a bilateral investment treaty with Ecuador, and of the seven largest foreign investors in Ecuador, only 23% come from a country which has a bilateral investment treaty with Ecuador. The CAITISA report recommended that Ecuador should enter into agreements with direct investors on a case-by-case basis, allowing more flexibility in regard to dispute resolution clauses, better protection for the Republic by tailoring the definition of "investment" more appropriately to the specific circumstances and a new framework for

investors' rights and obligations. In May, 2017, Ecuador formally denounced and terminated bilateral investment treaties with Argentina, Bolivia, Canada, Chile, China, France, Germany, Italy, the Netherlands, Peru, Spain, Sweden, Switzerland, the United Kingdom, the United States and Venezuela. However, those signed with Italy, the Netherlands and Spain will remain in force until 2020, 2021 and 2022, respectively.

On March 8, 2018, Ecuador officially presented the new bilateral investment treaty model, which will serve as the basis for future negotiations.

On December 12, 2014, representatives from Ecuador's Ministry of Foreign Commerce signed a trade agreement with the European Union for Ecuador's accession to the Multiparty Trade Agreement entered into the European Union and Colombia and Peru on June 26, 2012 (the "Multiparty Trade Agreement"). The agreement is intended to provide expanded access to the European market for Ecuadorian exports and lower tariff duties on European imports into the Ecuadorian market. As part of the agreement reached in 2014, Ecuador was allowed to benefit from the European Union's Generalized Scheme of Preferences Plus program until 2016 or until the trade agreement was in place. This benefit allowed Ecuador to not pay tariffs on exports of Ecuadorian products into the European Union.

On November 11, 2016, Ecuador signed the accession agreement to the Multiparty Trade Agreement with the European Union Council. The trade agreement required the approval of each of the National Assembly, the European Parliament, and the legislatures of the 28 European Union member countries in order to be effective. In January 2017, both the European Union and Ecuador implemented the trade agreement on a provisional basis pursuant to Article 3 of the European Council's decision (EU) 2016/2039 with the exception of Articles 2, 202(1), 291 and 292 of the trade agreement. For more information, see "*Balance of Payments and Foreign Trade—Foreign Trade—Trade Policy*."

The Fourth Meeting of Political Consultations between the European Union and Ecuador took place in November 2017. At this meeting, the European Union and Ecuador discussed the status of political dialogue and of their commercial and bilateral cooperation relationship, the current trade agreement, and human mobility, including Ecuador's interest in obtaining a waiver of the short-term visa in the Schengen area for Ecuadorian citizens.

On August 24, 2016, the Central Bank of Ecuador and the Central Bank of Iran (Bank Markazi Jomhouri Islamic Iran) signed a memorandum of understanding and a banking and payment arrangement. The two documents provide for mechanisms to set up accounts, netting of payments and other payment arrangements between the two central banks to facilitate future payments of exports between Iran and Ecuador. A third document was signed by the *Agencia Ecuatoriana de Aseguramiento de Calidad del Agro de la República del Ecuador* (the "Agency for the Quality Assurance of Agriculture of Ecuador") and the Plant Protection Organization of the Islamic Republic of Iran.

The document is a memorandum of understanding that establishes a framework for bilateral cooperation in plant quarantine methods in accordance with the International Plant Protection Convention. Ecuador previously entered into two other cooperative agreements with Iran. The first, signed in October 2011, is a memorandum of understanding that establishes a framework for bilateral cooperation on health initiatives. The second, signed in June 2012, is a commercial agreement that establishes a framework for any future commercial trade between Iran and Ecuador.

On June 27, 2018, Mike Pence, the vice president of the United States, visited Ecuador as part of efforts to reinvigorate the bilateral relationship between Ecuador and the United States. This visit follows several official visits from the Ecuadorian Minister of Foreign Commerce and the Ecuadorian Minister of Economy and Finance to the United States, as well as visits from the Undersecretary of State for Political Affairs, the Deputy Assistant Secretary of Defense for Western Hemisphere Affairs and the Deputy Assistant Secretary in the Bureau of Population, Refugees and Migration, each of the United States, to Ecuador. President Moreno and vice president Pence expressed their intentions to bring a broad bilateral dialogue to further the bilateral agenda and to reactivate the Investment and Commerce Council. They also discussed the importance of increasing the bilateral initiatives to fight organized crime, drug trafficking, and violence, of facilitating bilateral investment and commerce, of implementing close cooperation for mutual legal assistance and extraditions in the fight against corruption, tax

evasion and money laundering, and of a commitment to intensify the bilateral dialogue regarding consulate and human mobility issues, including human trafficking.

On July 20, 2019, United States Secretary of State Mike Pompeo visited Ecuador as part of efforts to continue reinvigorating the bilateral relationship between Ecuador and the United States. President Moreno and Secretary Pompeo expressed their respective countries' wishes to work closely on strengthening their commercial relationship, to join efforts against corruption and the illicit drug trade, and to increase cooperation and collaboration on security matters, including cybersecurity, and agreed to set in motion processes for enabling extradition in cases involving corruption.

On July 4, 2018, the Republic sent notes of protest to the governments of Bolivia and Venezuela regarding certain declarations made by government officials of both nations about the order of preventive detention of the former President Rafael Correa decreed by the National Court of Justice of Ecuador. This order was in connection with the court proceeding over kidnapping and illicit association commenced by the former member of the Ecuadorian National Assembly Fernando Balda against former President Rafael Correa. Ecuador called the Ambassadors of those countries in Ecuador to meet to discuss their countries' positions on the matter. Ecuador also called its Ambassador to Bolivia for consultations regarding this matter. Subsequently, the Government declared the Ambassador to Venezuela in Ecuador "persona non grata" and Ecuador's Chargé d'Affaires was recalled. Starting on January 1, 2020, the Republic downgraded its relations with Venezuela to merely consular, with Ecuadorian consulates remaining in the Venezuelan cities of Caracas, Maracaibo and Valencia.

Furthermore, on July 5, 2018, the National Assembly voted to approve a debate on the humanitarian crisis in Venezuela which has resulted in an increase in the number of Venezuelan citizens entering Ecuador. According to the Ministry of Government, in 2018, 955,637 Venezuelan citizens entered Ecuador, and 801,851 exited Ecuador. On August 4, 2018, the Ministry of Foreign Relations and Human Mobility, in coordination with the Ministries of the Interior, Justice and Social and Economic Inclusion signed an inter-ministerial agreement in order to facilitate the entry in Ecuador of undocumented minors.

On August 18, 2018, Ecuador published a requirement that in order for Venezuelan nationals to enter Ecuador legally they have to carry a valid passport, citing the unreliability of the *cédulas* (identity cards) and as a reaction to the constant and increasing influx of Venezuelan immigrants. In response, the *Defensor del Pueblo* (Ombudsman) filed for an injunction based on legal provisions that allow South American nationals to enter Ecuador with their national identity cards, and the new requirement was suspended by the Judge who heard the case for 45 days. On September 3, 2018, delegates of 13 Latin American countries and other representatives of international organizations met in Quito with the purpose of exchanging information, criteria and good practices to articulate a response to the constant and increasing influx of Venezuelan immigrants. The delegates of 11 of those 13 countries signed a declaration in which, among others measures, they agreed that Venezuelan nationals may enter their countries legally by carrying a valid passport, even if it is expired, or a legitimate *cédula* (identity card).

On January 23, 2019, President Moreno joined other heads of government around the world in recognizing the President of the National Assembly of Venezuela, Juan Guaidó, as that country's legitimate interim President. On January 31, 2019, the National Assembly passed a resolution backing President Moreno's recognition of Juan Guaidó as interim President of Venezuela. On January 30, 2019 interim President Guaidó formally requested diplomatic recognition of his appointed Ambassador to Ecuador, which the government of Ecuador granted on February 7, 2019. On February 25, 2019 René de Sola Quintero gave his diplomatic credentials as Venezuela's Ambassador to Ecuador. On March 2, 2109, following an invitation by President Moreno, interim President Guaidó made a formal visit to Ecuador and met with President Moreno.

On May 15, 2019, Ecuador, together with Peru and Colombia, signed a trade agreement with the United Kingdom to preserve their mutual trade commitments should the United Kingdom exit the European Union as a result of the United Kingdom's exit from the European Union. With this trade agreement, the Republic and the United Kingdom intend to replicate their current trade commitments under the Multiparty Trade Agreement with the European Union. This agreement will not enter into force while the Multiparty Trade Agreement continues to apply to the United Kingdom. On October 23, 2019, the Republic and the United Kingdom agreed to temporarily maintain their agreements under the Multiparty Trade Agreement in respect of each other to account for the time between the

date the United Kingdom exits the European Union and the entry into force of the trade agreement signed on May 15, 2019.

On July 15, 2019, representatives of Ecuador and the United Kingdom signed a joint declaration in Quito for the enhancement of bilateral relations between the two countries. The joint declaration highlighted the aspirations of both countries to establish more frequent dialogue on regional and multilateral priorities and to work more closely on shared issues. Both countries agreed to re-initiate conversations on a double-taxation treaty and other means to promote trade and investment, and expressed their desire to work closely against corruption, to increase scholarship opportunities for master degrees in the United Kingdom for Ecuadorian nationals, and to fight ocean contamination and climate change within and beyond the framework of the Paris Agreement. As of the date of this Offering Circular, both countries are in the process of negotiating a double-taxation treaty.

On July 25, 2019, President Moreno issued decree No. 826 ("Decree 826") granting amnesty and creating the mechanisms to grant a temporary residence visa for humanitarian reasons to all Venezuelans who as of that date had entered Ecuador legally even if they had overstayed their permitted time to visit the country, provided that, as of that date, they had not breached the laws of the Republic. Venezuelans who wish to enter Ecuador starting 30 days after the decree comes into force will be required to possess either one such temporary residence visa for humanitarian reasons or any other type of visas issued by the Republic. On October 26, 2019, under Decree 826, the Government started the process of regularizing the legal status of Venezuelan migrants who arrived in Ecuador on or before July 26, 2019. This consisted of providing applicants with a humanitarian visa allowing them to remain in the country legally. This regularization process is expected to close on March 31, 2020.

On November 1, 2019, the Republic became a member of the Asian Infrastructure Investment Bank ("AIIB"), a multilateral development bank headquartered in Beijing. Membership to the AIIB grants the Republic access to, among other benefits, direct financing, investment opportunities and guarantees.

Regional Organizations

Ecuador also maintains close ties with most of its neighboring countries and participates in several regional arrangements to promote trade, investment and services. As a member of the Latin American Integration Association ("ALADI"), a regional external trade association, Ecuador and the other signatories (Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela) have worked to remove regional trade restrictions among member nations. Ecuador also forms part of the *Comunidad Andina de Naciones* ("Community of Andean Nations") along with Colombia, Peru and Bolivia. Among the organization's greatest achievements is the free flow of merchandise of Andean origin and the free mobility of member state citizens. Ecuador was also a participant of the *Alianza Bolivariana para los Pueblos de nuestra América Latina* ("ALBA") along with Venezuela, Bolivia, Cuba, and other Caribbean nations until August 23, 2018, when Ecuador announced its exit from ALBA. Ecuador is also linked to Mercosur (comprised of Argentina, Brazil, Paraguay, Uruguay and Venezuela as party states), as an associate member and has been invited to participate as a full member and is a member of CAF, who has helped Ecuador finance several transportation and infrastructure projects. In November 2016, Ecuador entered into the Protocol of Accession of Ecuador to the Trade Agreement along with the European Union, Colombia and Peru.

In 2008, Ecuador, along with eleven other nations (Argentina, Bolivia, Brazil, Colombia, Chile, Guyana, Paraguay, Peru, Uruguay, Venezuela and Suriname) signed a treaty establishing the Union of South American Nations. The organization's General Secretariat has its permanent headquarters in the city of Quito, while its Parliament will be located in the Bolivian city of Cochabamba. As of 2010, Ecuador forms part of the CELAC. CELAC promotes the integration and development of Latin American nations.

Ecuador is a party to the United Nations Convention on Narcotic Drugs. Since 1990 the *Consejo Nacional de Control de Sustancias Estupefacientes y Psicotrópicas* (the "National Counsel for the Control of Narcotics and Psychotropic Drugs" or "CONSEP") has dictated policy against drug trafficking. In July 2013, pursuant to CONSEP's recommendation to decrease the illicit market for narcotics, the Ecuadorian penal code was reformed to decriminalize certain amounts of narcotics, including marijuana and cocaine. In the same month, Ecuador unilaterally rejected further benefits from preferential tariff program provided by the United States government under the Andean Trade Promotion and Drug Eradication Act (the "ATP-DEA"). These benefits bestowed

preferential treatment to certain Ecuadorian products in exchange for the Republic's efforts in combating drug trafficking in Ecuador. The rejection of the tariff program ends tax-free treatment of approximately U.S.$223 million worth of goods exported by Ecuador into the U.S. per year. The rejection of the ATP-DEA benefits, as well as the penal code reforms, reflect a change in Ecuador's approach towards narcotics. According to CONSEP, this change is a policy that "criminalizes the drug, but protects the rights of the addict." The policy reflects the guideline set by Article 364 of the 2008 Constitution, which defines addiction as a public health problem and states that addicts must not be criminalized nor suffer an infringement of their rights due to their addictions. Ecuador and the United States have started economic and strategic cooperation lines based on foreign investment, police investigations, and the fight against drug trafficking. On April 25, 2018, both countries signed a memorandum of understanding and a cooperation agreement authorizing the U.S. Drug Enforcement Administration and Immigration Department to operate in Ecuador. During United States Secretary of State Mike Pompeo's visit to Ecuador on July 20, 2019, Secretary Pompeo and President Moreno expressed in a joint declaration their respective countries' intentions to join efforts against the illicit drug trade.

On October 16, 2018, Ecuador's *Comité de Comercio Exterior* ("Committee on Foreign Trade") issued a favorable opinion for initiating negotiations for Ecuador to join the *Alianza del Pacífico* ("Pacific Alliance"), a regional integration mechanism created by and currently composed of Mexico, Perú, Colombia and Chile, in which Ecuador currently is an observer State. The Republic is currently in negotiations with Chile and Mexico in order to join the Pacific Alliance, with rounds held from October 28 to 30, 2019, in Santiago, Chile, and from November 13 to 14, 2019, in Mexico City, Mexico.

THE ECUADORIAN ECONOMY

Gross Domestic Product

In 2014, the economy of Ecuador grew by 3.8% in real terms, which increase was mainly due to the continuing growth of the construction and manufacturing sectors of the economy. Year-end external debt for 2014 reached U.S.$17.58 billion, which represented 17.2% of GDP, while the annual year-end inflation for the year was 3.7%.

In 2015, the economy of Ecuador grew by 0.1% in real terms. This decreased level of growth when compared with prior years was mainly due to decreased revenues resulting from the decline in the price of oil. Year-end external debt for 2015 reached U.S.$20.23 billion, which represents 20.2% of GDP, an increase of 15.0% compared to 2014. This increase was primarily due to the issuance of the 2020 Notes. The rate of unemployment increased from 3.8% in 2014 to 4.8% in 2015 due to a general slowdown of the economy in 2015 that led to job losses in both the private and public sectors. Inflation for the 12-month period ending in December 2015 decreased from 3.7% in 2014 to 3.4% in 2015 due to a decrease in the price of certain foods, primarily shrimp and chicken.

On April 10, 2017, the Central Bank published information regarding GDP for 2016. Real GDP for 2016 was U.S.$69,068 million, compared to U.S.$70,175 million in 2015, representing a decrease of 1.6% in real terms. This decrease was mainly due to the decline in the price of oil, a stronger dollar and the impact of the Pedernales Earthquake.

Real GDP for 2017 was U.S.$70,956 million, compared to U.S.$69,314 million in 2016, representing a 2.4% increase in real terms. This increase was mainly due to an increase in private consumption and public sector consumption as a result of an increase in imports due to the elimination of safeguard measures on imports and to an increase in non-petroleum activities. In 2017, the nominal GDP reached U.S.$104,296 million representing an increase from U.S.$99,938 million in 2016. Inflation decreased from 1.12% for the 12-month period ended December 31, 2016 to -0.20% for the 12-month period ended December 31, 2017. This decrease was due to a decrease in the price of domestic goods and services, clothing garments and footwear, food and non-alcoholic beverages.

Real GDP for 2018 was U.S.$71,933 million, compared to U.S.$70,956 million in 2017, representing a 1.4% increase in real terms. This increase was mainly due to a 2.9% increase in government expenditure as a final consumer, a 2.7% increase in household expenditure as final consumers, a 2.1% increase in gross fixed capital formation, and a 0.9% increase in exports of goods and services. In 2018, the nominal GDP reached U.S.$107,562 million representing a 3.1% increase from U.S.$104,296 million in 2017. Inflation increased from -0.20% for the 12-month period ended December 31, 2017 to 0.27% for the 12-month period ended December 31, 2018. This increase was primarily due to an increase in each of the prices of alcoholic beverages and tobacco by 2.43%, health products by 2.15%, and other goods and services by 1.79%.

Real GDP for the first nine months of 2019 was U.S.$54,083 million, compared to U.S.$53,787 million for the first nine months of 2018, representing a 0.55% increase in real terms. Real GDP for the third quarter of 2019 was U.S.$18,069.9 million compared to U.S.$18,080.8 million for the same period of 2018, representing a 0.1% decrease in real terms. This decrease was mainly due to the 4.9% decrease of construction activity, a 2.8% decrease in final consumption of the general government, a 2.8% decrease in general government expenditure in collective services, a U.S.$21.5 million decrease in wages driven by the 2.2% decrease in total number of public employees.

Nominal GDP for the first nine months of 2019 reached U.S.$81,273 million representing a 1.1% increase from U.S.$80,351 million for the same period in 2018. Nominal GDP for the third quarter of 2019 was U.S.$27,140.1 million compared to U.S.$27,078.4 million for the same period of 2018, representing a 0.2% increase in real terms. This increase rate was mainly due to the 4.9% decrease of construction activity, a 2.8% decrease in final consumption of the general government, a 2.8% decrease in general government expenditure in collective services, a U.S.$21.5 million decrease in wages driven by the 2.2% decrease in total number of public employees.

Inflation decreased from 0.35% for the 12-month period ended November 30, 2018 to 0.04% for the 12-month period ended November 30, 2019. This decrease was primarily due to a decrease in the prices of clothing and footwear, furniture and household items, hotels and restaurants, food and non-alcoholic beverages and communications. According to the Central Bank, inflation decreased from 0.27% for the 12-month period ended December 31, 2018 to -0.07% for the 12-month period ended December 31, 2019.

Real and Nominal GDP

(in millions of U.S. dollars, except percentages)

	For the Year Ended December 31,					For the Nine Months Ended September 30,	
	2014	2015	2016	2017	2018	2018	2019
Real GDP (in millions of U.S.$)	70,105	70,175	69,314	70,956	71,933	53,787	54,083
Real GDP growth	3.8%	0.1%	-1.2%	2.4%	1.4%	1.5%	0.6%
Nominal GDP	101,726	99,290	99,938	104,296	107,562	80,351	81,273

Source: Based on figures from the Central Bank Quarterly National Accounts for the Third Quarter of 2019.

Nominal GDP by Economic Sector [(1)]

(in millions of U.S. dollars, except for percentages)

	For the Year Ended December 31,										For the Nine Months Ended September 30,	
	2014	% of GDP	2015	% of GDP	2016	% of GDP	2017	% of GDP	2018	% of GDP	2018	2019
Manufacturing[(2)]	13,717	13.48	13,513	13.61	13,592	13.60	13,866	13.29	14,223	13.12	10,354	10,403
Construction	10,891	10.71	11,125	11.20	11,976	11.98	12,087	11.59	12,239	11.29	9,185	8,821
Petroleum and mining	11,267	11.08	4,691	4.72	3,800	3.80	5,024	4.82	6,049	5.58	4,691	4,621
Trade (commerce)	10,545	10.37	10,218	10.29	9,632	9.64	9,960	9.55	10,452	9.64	7,590	7,623
Agriculture	8,122	7.98	8,406	8.47	8,441	8.45	8,533	8.18	8,791	8.11	6,272	6,328
Social services	7,833	7.70	8,489	8.55	8,777	8.78	9,280	8.90	9,888	9.12	7,223	7,567
Government services[(3)]	6,682	6.57	6,660	6.71	6,885	6.89	7,062	6.77	7,164	6.61	5,280	5,105
Administrative activity[(4)]	7,016	6.90	6,887	6.94	6,574	6.58	7,072	6.78	8,122	7.49	5,840	5,996
Transportation	4,338	4.26	4,773	4.81	5,414	5.42	5,387	5.17	5,364	4.95	4,121	4,196
Finance and insurance	3,166	3.11	3,165	3.19	3,073	3.07	3,536	3.39	3,762	3.47	2,741	2,980
Telecommunications	2,127	2.09	1,984	2.00	1,916	1.92	1,932	1.85	1,982	1.83	1,473	1,488
Electricity and water	1,253	1.23	1,509	1.52	1,685	1.69	1,826	1.75	1,772	1.63	1,312	1,376
Shrimp	563	0.55	445	0.45	501	0.50	660	0.63	725	0.67	495	527
Others [(5)]	14,208	13.97	17,427	17.55	17,670	17.68	18,070	17.33	17,865	16.48	13,775	14,241
Total GDP	**101,726**	**100**	**99,290**	**100**	**99,938**	**100**	**104,296**	**100**	**107,562**	**100**	**80,351**	**81,273**

Source: Based on information from the Central Bank for the Third Quarter of 2019.

(1) Table measures gross value added by economic sector and corresponding percentage of Nominal GDP.
(2) Includes manufacturing other than petroleum refining.
(3) Includes Public Defense and Social Security Administration.
(4) Includes Professional and Technical Administration.
(5) Includes fishing, petroleum refining, hospitality and food services, domestic services, other services and other elements of GDP.

The following table sets forth Ecuador's real GDP growth by expenditure as a percentage of total real GDP growth for the periods presented.

Real GDP and Expenditure Growth
(Percentage change from previous comparable period based on 2007 prices)

	For the Year Ended December 31,					For the Nine Months Ended September 30,	
	2014	2015	2016	2017	2018	2018	2019
Real GDP Growth	3.8	0.1	-1.2	2.4	1.4	1.5	0.6
Import of goods & services [1]	4.8	-8.2	-9.6	12.2	5.8	5.5	2.0
Total Supply of Goods & Services	**4.0**	**-1.9**	**-3.1**	**4.4**	**2.4**	**2.4**	**0.9**
Public Sector Consumption	6.7	2.1	-0.2	3.2	2.9	3.3	-0.7
Private Consumption	2.7	-0.1	-2.4	3.7	2.7	2.1	1.8
Gross Fixed Capital Formation	2.3	-6.2	-8.9	5.3	2.1	3.0	-2.9
Exports of goods and services[1]	6.2	-0.6	1.4	0.7	0.9	1.0	3.8
Total Final Demand	**4.0**	**-1.9**	**-3.1**	**4.4**	**2.4**	**2.4**	**0.9**

Source: Based on figures from the Central Bank Quarterly National Accounts for the Third Quarter of 2019.
(1) Corresponds to figures from "Real GDP by Expenditure" table.

The following table sets forth Ecuador's per capita GDP statistics for the periods indicated.

Per Capita GDP

	For the Year Ended December 31,				
	2014	2015	2016	2017	2018[1]
Per capita Nominal GDP (current U.S.$)	6,347	6,099	6,046	6,217	6,318
Per capita Real GDP	4,374	4,311	4,194	4,229	4,226
Population (in thousands)[2]	16,027	16,279	16,529	16,777	17,023

Source: Based on figures from Table 4.3.5 of the Central Bank's Monthly Bulletin for November 2019.
(1) Preliminary data published by the Central Bank based on the aggregation of quarterly data.
(2) Population figures correspond to projected population annual figures from 2010 census.

The following table sets forth the real GDP growth by expenditure for the periods indicated.

Real GDP by Expenditure
(in millions of dollars)

	For the Year Ended December 31,					For the Nine Months Ended September 30,	
	2014	2015	2016	2017	2018	2018	2019
Consumption							
Public Sector Consumption	10,252.3	10,471.8	10,453.9	10,790.0	11,167.2	8,322.2	8,267.5
Private Consumption	43,088.8	43,049.2	42,011.6	43,577.6	44,487.0	33,179.7	33,782.5
Total Consumption	53,341.2	53,521.0	52,465.5	54,367.6	55,654.2	41,502.0	42,050.0
Gross Investment							
Gross Fixed Capital Formation	18,626.3	17,465.3	15,917.1	16,762.3	17,093.0	12,881.9	12,504.2
Change in Inventory	471.2	-123.1	-568.2	388.0	348.2	306.4	178.0
Exports of goods and services[1]	19,342.0	19,218.8	19,491.9	19,631.7	19,858.2	14,872.4	15,442.4
Imports of goods and services [1]	21,675.4	19,907.4	17,992.2	20,193.8	21,083.2	15,776.0	16,092.0
Real GDP	70,105.4	70,174.7	69,314.1	70,955.7	71,870.5	53,786.6	54,082.6

Source: Based on figures from the Central Bank Quarterly National Accounts for the Third Quarter of 2019.
(1) The exports and imports figures in this chart are adjusted for inflation and reflect the contribution of exports and imports to GDP. They differ from the nominal exports and imports in the "Balance of Payments" table and stand-alone exports and imports tables in the "Exports-(FOB)" and "Imports-(CIF)" tables in this Offering Circular.

Economic and Social Policies

During his term, former President Correa sought to reform certain aspects of the Ecuadorian economy in order to comply with constitutional mandates. Certain reforms were undertaken as legislative proposals, which require the National Assembly's approval. Other reforms were undertaken by the executive branch and do not require legislative approval. The reforms were consistent with the Correa administration's objective to promote economic growth, while reducing poverty and inequality and fostering social progress. Below is a brief description of the most relevant major economic and financial reform initiatives since 2008.

The 2008 Constitution

One of the most important objectives of the 2008 Constitution was to grant control over the Central Bank to the executive branch. Section 6, Article 303 of the 2008 Constitution states that "the drafting of monetary, credit, foreign exchange and financial policies is the exclusive power of the executive branch and will be implemented through the Central Bank" hence limiting the autonomy and authority of the Central Bank for the purpose of effective implementation of reforms by the executive branch and its agencies.

Another relevant reform embedded in the 2008 Constitution is the creation of a debt and finance committee (the "Debt and Finance Committee"), tasked with evaluating and approving issuances or incurrence of sovereign debt. The Debt and Finance Committee is comprised of the President or his delegate, the Minister of Finance or his delegate, and the National Secretary of Planning and Development or his delegate. The sub-secretary in charge of public debt, Undersecretary of Public Finance, acts as the secretary for the committee. See "*Public Debt—General*." Other important reforms include the establishment of limitations on the proceeds of public borrowing (Article 289) (see "*Public Debt—General*"), the possibility of the President to be elected to a second consecutive term (Article 144 of the 2008 Constitution), see "*The Republic of Ecuador—Form of Government*", the requirement of an evaluation structure for any public program in conjunction with the National Development Plan (Article 297 of the 2008 Constitution), and the establishment of the Treasury Account or the administration of the general budget (Article 299). In May 2011, certain amendments to the 2008 Constitution were approved by popular referendum. The most debated amendments included the change to the Judiciary Council to its current make up, see "*The Republic of Ecuador—Form of Government*", and the prohibition of owners of media companies to own stock in non-media companies. On December 3, 2015, the National Assembly approved certain amendments to the 2008 Constitution, including the elimination of term limits for public officials, allowing indefinite reelection, and a transitory provision providing that such elimination of term limits will become into effect on May 24, 2017. These amendments were published and became effective on December 21, 2015.

In February 2018, certain amendments to the 2008 Constitution were approved by national popular referendum. The amendments included, among others, that those convicted of corruption related offenses should lose their political rights, and the reversion of the 2015 constitutional amendment which allowed indefinite reelection, limiting instead officials to a single reelection to the same office.

Budget Reforms

Enacted in April 2008, the *Ley Orgánica para la Recuperación del Uso de los Recursos Petroleros del Estado y Racionalización Administrativa de los Procesos de Endeudamiento* ("Law for the Recovery of the Use of Oil Resources of the State and Administrative Rationalization of Indebtedness" or "LOREYTF") replaced Ecuador's then existing budget and transparency regulations. The objectives of the law were (i) to enhance the transparency and flexibility of the budget process by prioritizing investments and improving the management of Government resources and (ii) to terminate any distribution of budgeted amounts based on predetermined uses of resources. To achieve those objectives, the LOREYTF eliminated the *Cuenta Especial de Reactivación Productiva y Social del Desarrollo Científico-Tecnológico y de Estabilización Fiscal* ("Scientific-Technological and Fiscal Stability Social and Productive Reactivation Special Account" or "CEREPS"). Also, pursuant to Article 299 of the 2008 Constitution, LOREYTF established the *Cuenta Única del Tesoro* – a single Central Bank master account for the management of Ecuador's resources. The *Cuenta Única del Tesoro* is comprised of various sub-accounts where amounts are allocated according to functional purposes. These sub-accounts include a social security account, accounts for public companies, a public banking account, and accounts for municipal and provincial governments

(the "Autonomous Decentralized Governments"). The budget and transparency regulations established in LOREYTF were subsequently codified and superseded by the Public Planning and Finance Code.

The Organic Law for Productive Development amended the Public Planning and Finance Code to prevent that a budget with a primary deficit be approved and ensure that any increase in the expenditure by the central government does not exceed the long term growth rate of the economy.

Bank Supervision

Enacted in December 2008, the *Ley de Creación de la Red de Seguridad Financiera* ("Financial Safety Net Law") created a regulatory framework for Ecuador's banking sector. The objectives of the law were to strengthen the supervision of the financial sector, create a liquidity fund and a deposit insurance system for the benefit of the Ecuadorian banks and financial institutions, and to establish clear mechanisms for bank dissolutions. For more information on this law, see "*Monetary System—Financial Sector*."

Tax Reforms

Enacted in December 2008, the *Ley Reformatoria a la Ley de Régimen Tributario Interno y a la Ley Reformatoria para la Equidad Tributaria del Ecuador* ("Reform Act to the Internal Tax Regime Law and the Reform Act for Tax Equity in Ecuador") reformed the existing tax system by improving the mechanisms by which the Government collects tax revenues. The objectives of the law were to reduce tax evasion, improve direct and progressive taxation, increase the tax base, and generate adequate incentives for investment in economic activity. On December 29, 2014, the National Assembly enacted a corporate tax reform relating to the taxation of shareholders of Ecuadorian companies who reside in tax havens. The reform increases the corporate tax rate to 25% from 22% if an Ecuadorian company's owners are tax haven residents who own collectively more than 50% of the company. In addition, the tax reform exempts companies from corporate taxes, for a period of ten years, for profits related to new and productive investments as defined by the *Código Orgánico de la Producción* ("Production Code"). Furthermore, on December 29, 2017, the Organic Law for the Reactivation of the Economy, Strengthening of Dollarization and Modernization of Financial Management was published and became effective, which included, among other measures, tax incentives to microenterprises, small businesses, cooperatives and associations, and an increase of 3% to the corporate income tax (now subject to 25%). The Organic Law for Productive Development, enacted on August 21, 2018, expanded some of the tax incentives under the Production Code (including income tax exemption for eight years instead of five for investments in Quito or Guayaquil, for 12 years elsewhere, and for 15 years in basic industries as defined in the Production Code, and for 5 additional years if located in bordering counties). For more information on these laws and other tax reforms, see "*Public Sector Finances—Taxation and Customs*", "*Public Sector Finances—Tax Reforms", "The Republic of Ecuador—Form of Government", and "Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability*."

On October 18, 2019, President Moreno presented before the National Assembly the draft Law on Economic Development, aimed at reforming several of the Republic's tax and financial laws. Specifically, the Law on Economic Development's objective was to, on the one hand, increase revenue by U.S.$450 million by progressively taxing corporations and individuals with higher yearly income, and imposing new taxes such as a tax on plastic bags and e-cigarettes; and in addition introducing a number of measures to create (a) a more efficient tax system for taxpayers and (b) reforming certain aspects of Ecuador's financial laws and regulations to, among other objectives, (i) enhance fiscal sustainability establishing stricter budget controls and (ii) strengthen dollarization by enhancing the Central Bank's autonomy. After the protests held in October 2019, President Moreno modified the proposed draft Law on Economic Development to remove the elimination of gas subsidies as part of the draft law, see "*The Republic of Ecuador—Recent Measures by President Moreno.*"

On November 17, 2019, the National Assembly voted to reject the draft Law on Economic Development. In response, on November 21, 2019, President Moreno presented the draft Organic Law on Tax Simplification, replacing the draft Law on Economic Development with respect to certain aspects of the intended tax reform. The Organic Law on Tax Simplification was first approved by the National Assembly on December 9, 2019, and after a Presidential partial veto, it was finally approved on December 30, 2019, and became effective on December 31, 2019. The Organic Law on Tax Simplification eliminates income tax advances, VAT and Special Consumption Tax ("ICE") on certain products and services (e.g. certain web services, and electric and public vehicles), provides for

100% debt relief of interest and charges on certain student loans, a progressive taxing calendar for corporations and individuals with higher yearly income, and imposes new special taxes on supermarket plastic bags, certain mobile services and certain beers, among other tax reforms targeting certain micro-entrepreneurs, immigrants, exporters, agricultural manufactures, and others.

The Government indicated in its Updated Memorandum of Economic and Financial Policies presented to the IMF on December 11, 2019, that it is currently studying a new draft law modifying certain aspects of the banking and monetary reforms intended under the draft Law on Economic Development. Presentation to the National Assembly of amendments to the Public Planning and Finance Code are expected by the end of February 2020, and presentation of amendments to the Organic Monetary and Financial Law, after consultation with various stakeholders and building consensus, are expected by April 2020, see "*Public Debt—IMF's Extended Fund Facility*."

Mining Law

Enacted in January 2009, the *Ley Minera* ("Mining Law") created norms for the exercise of the Government's rights to manage and control the strategic mining sector. The objective of this law was to establish a sustainable and efficient administrative system to govern the relationship between the Government and domestic, foreign, public, or private individuals or legal entities involved in mining activities. Consequently, the Mining Law contains provisions regarding the attainment, preservation, and termination of mining rights and the performance of mining activities. Specifically, the Mining Law creates administrative agencies for the regulation, supervision and scientific investigation of the mining sector, sets specific geographic limits for mining activities, creates rules for public bids for concessions, and creates rules for concession and service contracts. Oil and other hydrocarbons are exempt from this law.

On June 13, 2013, the National Assembly passed an amendment to the Mining Law, imposing an 8% ceiling on previously open-ended royalties, streamlining the permits required for mining, and eliminating windfall taxes for companies until they have recouped their investments. For more information on the Mining Law, see "*The Ecuadorian Economy—Strategic Sectors of the Economy—Mining*." In June 2014, former President Correa announced on national radio that the Republic intended to amend its existing mining laws. In an interview, the Minister of Coordination of Strategic Sectors stated that the principal objective of these new laws is to attract investment in the mining sector. On December 29, 2014, the National Assembly passed amendments to the Mining Law that include the recognition of the mining rights in Ecuador of national or foreign natural or legal persons with companies domiciled, constituted or located in tax havens as partners, shareholders or participants. The amendments also eliminate the payment of 1% of the total transaction value for the right to register transfers of stock or equity in a mining concession on the Ecuadorian stock exchange or on foreign stock exchanges. On November 25, 2015, Decree No. 823 established amendments to the *Reglamento General de la Ley de Minería* (the "General Regulation to the Mining Law") which reforms the Mining Law. The amendments to the General Regulation to the Mining Law provide for, among others: (i) to allow individuals to request the inclusion of open areas not on the list prepared by the mining authority in the bidding process; (ii) exclude the obligation to submit environmental matters in proposals; (iii) eliminates the obligation to provide for a 2% guarantee over the proposed investment amount; (iv) provide that small and medium mining concessionaries are not under the obligation to sign exploitation contracts nor service contracts; (v) provide that the transfer of mining rights does not require the authorization of the Ministry for the Environment; (vi) eliminate the requirement imposed on concessionaires pay an amount equal to 25 basic unified wages in order to be able to request an extension in the period granted for the defense of concessionaire interests and (vii) establish a calculation of royalties over the net income of principal and secondary minerals received by concessionaires. The Organic Law for Productive Development, enacted on August 21, 2018, provided some additional flexibility to the calculation of royalties. On January 28, 2019, President Moreno issued decree 649 ("Decree 649") amending the procedures in the General Regulation to the Mining Law concerning confiscated equipment and mining products due to illegal exploitation.

Public Corporations Law

Enacted in October 2009, the *Ley Orgánica de Empresas Públicas* ("Public Corporations Law") created economic, administrative, financial and management control mechanisms for public companies in accordance with the 2008 Constitution. The objectives of the law were to regulate the formations, mergers, and liquidations of public

companies outside the financial sector and that operate in Ecuador or abroad. To achieve those objectives, the Public Corporations Law:

- determines the procedures for the formation of public enterprises that are required to manage strategic sectors of the Ecuadorian economy;

- establishes the means to guarantee that the goals set forth by the Government are met by public companies, in accordance with the guidelines set by the *Sistema Nacional Descentralizado de Planificación Participativa* ("National Decentralized System of Participative Planning");

- regulates the economic, financial, and administrative autonomy of public companies, in accordance with the principles and norms of the 2008 Constitution and other applicable laws; and

- encourages the integral, sustainable and decentralized development of the Republic by requiring public companies to take socio-environmental and technological update variables into account in their cost and production processes.

Renegotiation of Oil Field Contracts

Enacted in July 2010, the reform to the Hydrocarbons Law replaced the old system of oil revenue profit sharing contracts with a new contract system whereby the Republic owns oil production in its entirety, benefiting from all revenue windfalls that result from price increases. The objectives of the reform were to abide by Articles 1, 317, and 408 of the 2008 Constitution, which state that natural resources, such as oil, are part of the national heritage of Ecuador and that the Government will earn profits from the exploitation of these resources, in an amount that is no less than the profits earned by the company producing them. Under the renegotiated contracts, contractor's fees are established in accordance with the level and types of works and services to be performed, production costs, and a reasonable profit margin in relation to the level of risk. Under the old system, the Republic taxed between 17% and 27% of the first U.S.$15 to U.S.$17 in revenue for each barrel sold. Under the new system, the Republic taxes up to 80% of the revenue in each barrel sold. For more information on the Hydrocarbons Law, see "*Strategic Sectors of the Economy—Oil Sector*." A number of oil companies have sued Ecuador in connection with the modification of their contracts resulting from the reform of the Hydrocarbons Law. The Organic Law for Productive Development, enacted on August 21, 2018, established that in "production sharing" contracts (reinstated by President Moreno's administration), the Republic's share (percentage) will be adjusted according to reference prices and production volume. See "*Legal Proceedings—Windfall Profits Tax Litigation*" and "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability.*"

Public Planning and Finance Code

Enacted in October 2010, the Public Planning and Finance Code created a new financial regulatory system pursuant to the 2008 Constitution. The objectives of the law, among others, were to develop and coordinate national and regional governmental planning, guarantee the rights of citizens through equitable resource allocation and increased citizen participation in framing public policy, and strengthen national sovereignty and Latin American integration through public policy decisions. To achieve those objectives, the Public Planning and Finance Code:

- allows for more flexibility for the Ministry of Economy and Finance to reallocate and reassign expenditures up to 15% of the approved Government budget without the prior approval of the National Assembly;

- sets an explicit total public debt ceiling of 40% of GDP including Central Government, non-financial public sector and Autonomous Decentralized Governments, see "*Public Debt—General*";

- allows the Ministry of Economy and Finance to issue CETES at its discretion, without having to undergo the same approval process required for long-term internal and external sovereign debt;

- allows for the establishment of citizens' committees for financial public policy consultations;

- determines that all excess cash not spent during a fiscal year will be accounted for as initial cash for the following fiscal year; and

- establishes the functions and responsibilities of the Debt and Finance Committee, see "*Public Debt—General*".

The CGR Audit Report recommended that, in order to reconcile amounts comprising public debt, the Public Planning and Finance Code should be amended and Decree 1218 should be repealed with respect to the calculation of the total public debt to GDP ratio to ascertain the actual value of total public debt and determine if that amount exceeded the 40% debt to GDP ratio set out in Article 124 of the Public Planning and Finance Code. Following these recommendations, on June 21, 2018, the National Assembly passed the Organic Law for Productive Development which became effective on August 21, 2018, which expressly confirms that certain activities and instruments are considered a contingent liability, and therefore are not included in the calculation of the total public debt to GDP ratio, and provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply. The law also provides for the implementation of a fiscal stability plan by the Ministry of Economy and Finance for the period from 2018 to 2021. The law sets forth that in each subsequent fiscal year after 2021, the General State Budget must be presented with a fiscal program aimed at reducing over time the amount of total public debt relative to GDP, until it reaches a level below the 40% debt to GDP ratio. The new law also mandated that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, to be in accordance with article 123 of the Public Planning and Finance Code (as amended), internationally accepted standards and best practices for the registration and disclosure of public debt, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability.*" On October 15, 2018, President Moreno issued Decree 537 repealing Decree 1218 in its entirety, which became effective on October 30, 2018, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*." On October 15, 2018, President Moreno issued Decree 537 repealing Decree 1218 in its entirety, which became effective on October 30, 2018, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*." For more information on the CGR Audit Report, see "*Public Debt—Review and Audit by the Office of the Comptroller General*."

On November 19, 2018, the Ministry of Economy and Finance issued the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the New Methodology, which provides that the calculation of the public debt to GDP ratio is to be based on total public debt as published in the official aggregate financial statements and the latest nominal GDP as published by the Central Bank. See "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*." On December 20, 2018, the Regulation to the Organic Law for Productive Development became effective amending, among others, article 133 of the Rules to the Public Planning and Finance Code. See "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability.*"

In addition, the Organic Law for Productive Development amends Article 124 of the Public Planning and Finance Code providing that in exceptional cases, fiscal rules and the 40% debt to GDP ratio limit may be temporarily suspended when natural catastrophes, severe economic recession, imbalances in the payment system, or national emergency situations occur, for which purpose the approval of the majority of the members of the National Assembly will be required. These rules may also be suspended in the event that the President of the Republic decrees a state of emergency, in accordance with the provisions of the Constitution. In these cases, the entity in charge of public finances will approve a plan to strengthen public finances to achieve and restore fiscal balance.

On April 30, 2019, in line with the Letter of Intent presented to the IMF, the Ministry of Economy and Finance published the *Plan de Acción para el Fortalecimiento de las Finanzas Públicas* ("Action Plan for the Strengthening of Public Finances") with 17 proposals aimed at strengthening fiscal and budgetary rules and planning, and improving sustainability in the operations of the National Treasury. Among the proposals, the Ministry of Economy and Finance will send the President a draft bill modifying certain provisions of the Public Planning and Finance Code to further limit the Executive's discretion to outspend the national budget from 15% to 5% in order to increase credibility over each year's set fiscal goals; to substitute the CETES with a new short-term

instrument that guarantees its use within the budgetary year of issuance and placement; and to include a chapter in the Public Planning and Finance Code with a functional outline of the fiscal rules to increase transparency.

On October 18, 2019, President Moreno presented before the National Assembly the draft Law on Economic Development which included certain amendments to the Public Planning and Finance Code aimed, among other objectives, to enhance fiscal sustainability establishing stricter budget controls. However, on November 17, 2019 the National Assembly rejected those amendments. As part of the program with the IMF, the Government intends to submit to the National Assembly by the end of February 2020, revised amendments to the Public Planning and Finance Code. The amendments intend to ensure that the role of the Minister of Economy and Finance as the fiscal oversight authority is strengthened; that annual budgets are prepared in line with best international practices; that the fiscal rules framework is further strengthened, including escape clauses, automatic correction mechanisms, and in-year fiscal reporting; that government discretion to amend approved budgets is limited and a robust framework for contingency allocation is introduced; that budget execution is kept in check by comprehensive, timely, and proper government accounting and reporting, including a comprehensive definition of public debt, as well as the adoption of better cash management practices and commitment controls. For more on the IMF's Extended Fund Facility, see "*Public Debt—IMF's Extended Fund Facility.*"

Both the Republic and the Autonomous Decentralized Governments are subject to the Public Planning and Finance Code. For more information on the Public Planning and Finance Code, see "*Public Sector Finances—Fiscal Policy*."

Law Reforming the Financial Institutions Law and the Restructuring Financial Taxes Law

Enacted in March 2012, the *Ley Reformatoria a la Ley General de Instituciones del Sistema Financiero y a la Ley de Reordenamiento en Materia Económica en el Área Tributario Financiero* ("Law Reforming the Financial Institutions Law and the Restructuring Financial Taxes Law") was created to strengthen prior legislation related to mutual savings and housing credit associations. The objective of the law was to incorporate the concept of social capital and the framework of economic sustainability to mutual savings and housing credit associations. The law provides mutual savings and housing credit associations with political, economic and property rights to promote the social well-being of its members.

Comprehensive Law for the Regulation of Housing and Automobile Loans

Enacted in June 2012, the *Ley Orgánica para la Regulación de los Créditos para Vivienda y Vehículos* ("Law for the Regulation of Housing and Automobile Loans") was created to protect debtors in housing and automobile loan transactions. The law contains provisions, among others, that establish that collateral in these loans may only consist of the asset acquired through the loan and that the debtor of the loan may not use the acquired asset as collateral in other loan transactions.

Law to Strengthen and Optimize the Corporate and Securities Sector

Enacted by the National Assembly in May 2014, the *Ley Orgánica para el Fortalecimiento y Optimización del Sector Societario y Bursátil* ("Law to Strengthen and Optimize the Corporate and Securities Sector") was created to regulate the establishment and operation of securities firms and stock exchanges. The law created the *Junta de Regulación del Mercado de Valores* (the "Committee for Securities Market Regulation"), a new regulatory agency that is responsible for establishing public policy for Ecuadorian insurance and stock markets and to make rules for their operation and control. The agency consists of governmentally appointed members, one of which is the delegate for the President. This new regulatory body replaces the *Consejo Nacional de Valores* (the "National Services Commission") in formulating securities policies. The purpose of creating this new regulatory body was to ensure that the regulation of this market was in the hands of public servants as opposed to public and private individuals, as was the case with the National Services Commission.

Monetary and Financial Law

In September 2014, the National Assembly enacted the *Código Orgánico Monetario y Financiero* (the "Monetary and Financial Law") in order to address weaknesses of the Republic's financial system stemming from the banking crisis in 2000. To achieve its objectives, the Monetary and Financial Law creates a new regulatory body, the Committee of Monetary and Financial Policy Regulation, to oversee and regulate the execution of monetary, foreign exchange, financial, insurance, and securities policies of the country. The committee is comprised of delegates from Ecuador's Ministry of Economy and Finance, the Ministry of Production and Industrialization, the National Secretary of Planning and Development, the Ministry of Economic Policy, and a delegate appointed by the President. The principal function of the committee is to oversee and monitor the liquidity requirements of Ecuador's financial system, ensuring that liquidity remains above certain levels (to be determined by the Committee of Monetary and Financial Policy Regulation). The law also creates a separate internal auditor for the Government's financial entities, establishes certain norms for the Central Bank and the Superintendent of Banks regarding their budget, purpose, and their supervision, and sets forth reporting requirements to the Committee of Monetary and Financial Policy Regulation. The law also explicitly establishes that certain accounts in the Central Bank, including the accounts used for the deposits of the *Corporación de Seguros de Depósito* ("COSEDE") and the Liquidity Fund, are subject to sovereign immunity and cannot be subject to attachment of any kind.

The law further establishes that all transactions, monetary operations and accounts in the Republic of Ecuador will be expressed in U.S. dollars. Other sections of the law make reference to an electronic payment system to facilitate payments to vendors. Through this voluntary electronic payment system, Ecuadorians will be allowed to make online payments to participating vendors through a payment system managed by the Government. Payments made through the system will be deducted or credited directly from accounts that vendors can establish with the Central Bank. Each dollar in the electronic payment system is backed by a physical dollar at one time deposited or credited to an individual user, and will be backed by liquid assets in the Central Bank. On August 7, 2014, mobile phone carrier Movistar signed an agreement with the Central Bank to establish accounts to use the electronic payment system. In December 2014, the electronic payment system began operating. According to the Central Bank, circulation of electronic currency in Ecuador reached its highest point of U.S.$11.3 million in January 2018. On December 27, 2017, the National Assembly approved transferring the role of manager of the electronic payment system from the Central Bank to the national financial system which is mainly composed of private banking. On January 3, 2018, the *Junta de Política y Regulación Monetaria y Financiera* ("Monetary and Financial Policy and Regulation Board") ordered that electronic money accounts in the Central Bank be closed and deactivated before April 16, 2018.

The law further established that further details regarding this payment system may be set forth by the Committee of Monetary and Financial Policy Regulation in regulations and laws. The Committee of Monetary and Financial Policy Regulation drafted various laws issued by the National Assembly, including the Law to Balance Public Finances and the Law of Solidarity, both of which are described herein, incentivizing and further regulating the use of electronic money. For more information regarding the Monetary and Financial Law, see "*Monetary System—Supervision of the Financial System*."

On November 24, 2016, the Monetary and Financial Policy and Regulation Board issued Resolution No. 302-2016-F, amending Resolution No. 273-2016-F by increasing from 2% to 5% the reserves that financial institutions with more than U.S.$1.0 billion in assets are required to hold at the Central Bank. As of October 31, 2016, before Resolution No. 302-2016-F was issued, Ecuador's financial institutions held U.S.$4,274.6 million in reserves at the Central Bank. As of December 31, 2016, after Resolution No. 302-2016-F was issued, Ecuador's financial institutions held U.S.$6,044.1 million in reserves at the Central Bank. As of November 30, 2019, Ecuador's financial institutions held U.S.$4,267.2 million in reserves at the Central Bank.

On October 18, 2019, President Moreno presented before the National Assembly the draft Law on Economic Development which included certain amendments to the Monetary and Financial Law. These amendments aimed to ensure that the Central Bank had clear objectives and limited functions, designed to fully support the dollarization regime. They encompassed measures to strengthen the Central Bank's autonomy including in terms of its budget, improve the Central Bank's governance by establishing a board with fiduciary responsibilities to the Central Bank, and build a strong internal and external audit function. The amendments prohibited all direct and indirect lending by the Central Bank to the government or the public sector, while remaining able to provide

temporary liquidity support to public banks, if needed for prudential purposes. However, on November 17, 2019 the National Assembly rejected those amendments. As part of the program with the IMF, after consultation with various stakeholders and building consensus, the Government intends to resubmit to the National Assembly the amendments to the Central Bank part of the Monetary and Financial Law by April 2020. For more on the IMF's Extended Fund Facility, see "*Public Debt—IMF's Extended Fund Facility*."

Law for the Remission of Interest, Penalties and Surcharges

On May 5, 2015, the *Ley Orgánica de Remisión de Intereses, Multas y Recargos* (the "Law for the Remission of Interest, Penalties and Surcharges") was published and became effective. This law provides a rebate of 100% or 50% of the interest, penalties and any other charges applicable to outstanding tax-payer obligations, provided such obligations are paid by July 28, 2015 or September 9, 2015, respectively. This law also provided new exemptions to the 5% Currency Outflow Tax including credits granted to Ecuadorian financial institutions by qualifying international financial institutions or specialized non-financial institutions, intended for purposes of financing housing, microcredits or productive investments.

Civil Procedure Code

On May 12, 2015, a new *Código Orgánico General de Procesos* (the "Civil Procedure Code") creating a new homologation process involving additional court procedures for the enforcement of foreign arbitration awards in Ecuador, were approved and enacted by the National Assembly. Under the new Civil Procedure Code, any judgment rendered by a properly constituted arbitral tribunal would be enforceable against the Republic after an homologation process before a Provincial Civil Court of Justice, without re-examination of the issues, provided it complies with the requirements established in the treaty between Ecuador and the country in which such judgment has been rendered, or in the absence of such treaty, when the formalities set forth in Articles 104, 105 and 106 and other relevant provisions of the General Code of Procedure are met. On June 26, 2019, the Civil Procedure Code was modified by the *Ley Orgánica Reformatoria del Código Orgánico General de Procesos* ("Organic Law Reforming the Civil Procedure Code"), see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law Reforming the Civil Procedure Code*."

Law on Incentives for Public-Private Joint Ventures and Foreign Investment

On December 18, 2015, the National Assembly enacted the *Ley Orgánica de Incentivos para Asociaciones Público-Privadas y la Inversión Extranjera* ("Law on Incentives for Public-Private Joint Ventures and Foreign Investment") with the purpose of establishing incentives for the development of public projects by public-private joint ventures. According to the law, joint ventures that provide socially desirable and environmentally responsible goods to the country in accordance with Article 285 of the 2008 Constitution will be entitled to certain tax benefits such as a ten-year income tax exemption, among others. This law also provided new exemptions to the 5% Currency Outflow Tax including foreign payment transactions made by public-private partnerships established or structured for purposes of developing and implementing public projects.

Law to Balance Public Finances

On April 29, 2016, the *Ley Orgánica para el Equilibrio de las Finanzas Públicas* (the "Law to Balance Public Finances") was published and became effective with the purpose of strengthening dollarization and correcting abuses in tax benefits and redistributions. According to a March 19, 2016 announcement by former President Correa, the law would also generate additional revenue needed to offset the decline in oil prices. In order to achieve its goals, the law regulates and discourages excessive consumption of cigarettes, alcoholic beverages and sweetened beverages through a special consumption tax. Additionally, the law promotes the use of electronic money and credit cards issued by entities that are part of the national financial system by refunding 2% and 1% of payments made with electronic money and credit card, respectively, directly to consumers. The law also seeks to halt currency outflows by discouraging the transfer of large amounts of cash and encouraging instead the use of electronic means of payment.

Law to Eliminate Money Laundering and the Financing of Crimes

On July 21, 2016, the *Ley Orgánica de Prevención, Detección y Erradicación del Delito de Lavado de Activos y del Financiamiento de Delitos* (the "Law to Eliminate Money Laundering and the Financing of Crimes") was published and became effective. This law is intended to prevent, detect, and eliminate money laundering and the financing of crimes by creating a registry of "unusual" and "unjustified" financial operations and transactions. In addition to the institutions that are part of the financial and insurance systems of Ecuador, the law requires certain other entities and institutions to report to the Financial and Economic Analysis Unit, the Government entity responsible for compiling information and producing reports relating to money laundering.

Decree 1218

On October 25, 2016, pursuant to Article 147, Clause 13 of the 2008 Constitution, former President Correa exercised his presidential authority to issue implementing regulations and signed Decree 1218, which modified Article 135 of the Rules to the Public Planning and Finance Code. Decree 1218 changed the methodology that the Ministry of Economy and Finance used to calculate the 40% total public debt to GDP ceiling established in Article 124 of the Public Planning and Finance Code. This change in methodology effectively reduces the amount of internal public debt taken into account for purposes of calculating the 40% total public debt to GDP ceiling. For a further discussion of the impact of Decree 1218, see "*Public Debt*." Additionally, for a description of the risks of any action by the Government in relation to the 40% total public debt to GDP ceiling and related accounting methodologies, see "*Risk Factors—Risk Factors relating to Ecuador—The Republic may incur additional debt beyond what investors may have anticipated as a result of a change in methodology in calculating the public debt to GDP ratio for the purpose of complying with a 40% limit under Ecuadorian law, which could materially adversely affect the interests of holders of the Notes*" and "*Risk Factors—The Office of the Comptroller General has issued a report with conclusions from its audit to the Republic's internal and external debt"* in this Offering Circular. Since the Office of the Comptroller General issued its CGR Audit Report and prior to the publication of the April 2019 Debt Bulletin, the Ministry of Economy and Finance had only been releasing public debt to GDP ratio information applying the aggregation methodology. In its April 2019 Debt Bulletin, the Ministry of Economy and Finance disclosed public aggregate and consolidated debt figures as of April 30, 2019.

Following the recommendations made by the Office of the Comptroller General in the CGR Audit Report, on June 21, 2018, the National Assembly approved the Organic Law for Productive Development (submitted by President Moreno), which became effective on August 21, 2018, which among other things, provides certainty as to the nature of certain activities as contingent liabilities for purposes of the calculation of the debt to GDP ratio, and provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply. The law also provides for the implementation of a fiscal stability plan by the Ministry of Economy and Finance for the period from 2018 to 2021. The law sets forth that in each subsequent fiscal year after 2021, the General State Budget must be presented with a fiscal program aimed at reducing over time the amount of total public debt relative to GDP, until it reaches a level below the 40% debt to GDP ratio. The new law also mandated that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, to be in accordance with article 123 of the Public Planning and Finance Code (as amended), internationally accepted standards and best practices for the registration and disclosure of public debt, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability*."

On October 15, 2018, President Moreno issued Decree 537 repealing Decree 1218 in its entirety, which became effective on October 30, 2018, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*." On October 15, 2018, President Moreno issued Decree 537 repealing Decree 1218 in its entirety. On October 30, 2018, Decree 537 was published and the repeal of Decree 1218 became effective.

On November 19, 2018, the Ministry of Economy and Finance issued the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the definitions and methodology for calculating and divulging the country's public debt to GDP ratio, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio.*"

Organic Code for the Environment

On April 12, 2017 the *Código Orgánico del Ambiente* (the "Organic Code for the Environment") was published and became effective on April 12, 2018. This code will regulate activities that impact and damage the environment as well as allocate oversight of these activities to the *Autoridad Ambiental Nacional* (the "National Environmental Authority"), the *Sistema Único de Manejo Ambiental* (the "Office for Environmental Management") and the Autonomous Decentralized Governments upon certification. This code's general principles include sustainable development, clean technology, alternative energies, and production costs for measures to prevent, avoid or reduce polluting activities. This code also provides for studies of environmental impact, environmental management plans as well as sanctions and infractions due to violations of environmental norms.

Law to Restructure Debt of Public Banks and Closed Banks

On April 18, 2017, the *Ley para la Reestructuración de Deudas de Banca Pública, Banca Cerrada y Gestión del Sistema Financiero Nacional y Régimen de Valores* (the "Law to Restructure Debt of Public Banks and Closed Banks") was published and became effective. This law is intended to restructure and forgive debt (the "Debt") arising from the 1999 financial crisis in Ecuador which prompted the closure of seventeen banks. The Law to Restructure Debt of Public Banks and Closed Banks forgives Debt of up to U.S.$150,000 that is owed by surviving spouses and surviving cohabiting partners of deceased debtors as well as by debtors who are incapacitated. In addition, the Law to Restructure Debt of Public Banks and Closed Banks forgives expenses, surcharges, and interest payments of debtors of the BNF so long as the debtors make payment of at least 5% of the principal owed to BNF.

Organic Law for Productive Development

On June 21, 2018, the National Assembly approved the Organic Law for Productive Development and, after a Presidential partial veto, it became effective on August 21, 2018. The law aims to provide tax incentives for small and medium sized companies and to promote new investments in the country. The law provides for a 12 year income tax exemption (eight years if the investment is in Quito or Guayaquil and 15 years for investments in the industrial and agricultural sectors, including agricultural cooperatives, in the border regions of the country) for new productive investments in priority sectors, such as food production, forestry and agricultural land reforestation (agroforestry), metal-mechanic, petrochemical, pharmaceutical, tourism, renewable energy, foreign trade logistical services, biotechnology and import replacement and export promotion and a 15 year income tax exemption (20 years if the investment is in one of the border regions of the country) for productive investments the industrial, agricultural and agro associative sectors and any other basic industries determined by Ecuadorian law in the future. It also provides for remittances of interests, fines and charges over, among others, declared delayed tax payments, social security contributions and amounts owed to state-owned utilities as well as under student loans and grants. Finally, it provides for a simplified administrative process for social housing projects, which will also benefit from the incentives in the law.

The Organic Law for Productive Development also includes other incentives, such as the option for investors to agree to settle disputes with the Republic through national or international arbitration under UNCITRAL Rules before the Permanent Court of Arbitration, under the rules of the International Chamber of Commerce in Paris, or under the rules of Inter American Commercial Arbitration Commission at the choice of the investor, and amends the Civil Procedure Code so that an international arbitration award will be enforced without a prior homologation process (*exequátur*). As a result, international arbitral awards will be directly enforceable as is the case with domestic awards.

The Organic Law for Productive Development reforms Article 123 of the Public Planning and Finance Code by expressly confirming that a contingent liability may originate from the activities listed below, and that it will be excluded from the calculation of public debt for the period for which it remains contingent. A contingent liability will only be considered public debt, and included in the calculation of total public debt to GDP ratio, in such amount and to the extent the obligation become due and payable. A contingent liability may originate when:

- the Central Government issues sovereign guarantees for the benefit of public sector entities that enter into public debt, together with all provisions made for their payment;

- notes linked to duly documented payment obligations are issued;

- guarantee agreements to secure the proper use of non-reimbursable contributions received by any applicable entity are entered into; and

- the public sector incurs contingent liabilities in accordance with applicable law, or other liabilities are incurred within the context of agreements with international credit agencies.

For further information regarding amendments to certain provisions of the Public Planning and Finance Code, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability*."

New Commercial Code

On May 29, 2019, the new *Código de Comercio* ("New Commercial Code") was published and became effective. The New Commercial Code updates and modernizes the legal framework of commercial transactions in Ecuador. Among its 1,328 articles, it modifies the statute of limitations for commercial obligations, consolidates the legal framework on leasing and commercial leases, seeks to reduce excessive formalities, creates a legal framework for electronic commerce, and codifies and regulates other types of commercial transactions such as brokerage, supply, distribution systems, logistics, and others.

Organic Law on Tax Simplification

On December 9, 2019, the National Assembly approved the *Ley Orgánica de Simplicidad y Progresividad Tributaria* ("Organic Law on Tax Simplification"), and after a Presidential partial veto, it was published and became effective on December 31, 2019. The Organic Law on Tax Simplification, which replaces the draft Law on Economic Development in certain aspects of the intended tax reform, eliminates income tax advances, VAT and Special Consumption Tax ("ICE") on certain products and services (e.g. certain web services, and electric and public vehicles), provides for 100% debt relief of interest and charges on certain student loans, a progressive taxing calendar for corporations and individuals with higher yearly income, and imposes new special taxes on supermarket plastic bags, certain mobile services and certain beers, among other tax reforms targeting certain micro-entrepreneurs, immigrants, exporters, agricultural manufactures, and others.

Anti-Corruption Measures in Ecuador

Since President Moreno was elected, the Government of Ecuador has been putting in place several initiatives to fight corruption in the country and several alleged cases of corruption against current or former public officials of state-owned companies are being investigated. In February 2018, certain amendments to the 2008 Constitution were approved by national popular referendum, including, among others, that those convicted of corruption related offenses should lose their political rights. In March 2018, Petroecuador and the *Unidad de Análisis Financiero y Económico* (the "Financial and Economic Analysis Agency") entered into an inter-institutional agreement to work together in the prevention, detection and eradication of money laundering and financing of crimes within Petroecuador. On June 11, 2018, the Office of the Prosecutor General and the *Servicio Nacional de Contratación Pública* (the "National Service for Public Procurement") entered into a framework agreement for cooperation between both institutions to allow joint operations in the fight against corruption. On September 13, 2018, President Moreno, in his efforts to fight corruption, submitted a new law proposal to the National Assembly aimed at providing protection to whistle blowers of proven corruption. As of the date of this Offering Circular there are several law proposals under review by the National Assembly aimed at fighting corruption and enabling the recovery of the defrauded amounts.

On February 6, 2019 President Moreno issued decree No. 665 creating the *Secretaría Anticorrupción de la Presidencia de la República* ("Anticorruption Secretariat") tasked with, among others, setting an agenda for the creation of public policies and actions allowing for whistleblowing on corrupt acts within the administration; coordinating collaboration between governmental institutions, courts and entities involved in investigating, trying and penalizing corruption cases; and articulating with the Ministry of Foreign Affairs and Human Mobility the implementation of existing international agreements on the subject.

On February 18, 2019 President Moreno announced his plans to form the *Comisión Internacional contra la Corrupción* ("International Commission against Corruption") with the aim of providing support to governmental agencies charged with denouncing, investigating and prosecuting acts of corruption in Ecuador. The International Commission against Corruption is composed of five international experts on corruption and three secretariats with other national and international experts. Members of the International Commission against Corruption will be designated by agreement between the government and the United Nations Office on Drugs and Crime. The International Commission against Corruption was formally created on May 13, 2019.

On February 25, 2019 the CNE partnered with the Financial and Economic Analysis Agency to provide mutual collaboration in, among others, detecting money laundering and the financing of criminal enterprises. On June 6, 2019, the heads of Ecuador's Office of the Comptroller General and the *Comisión Nacional Anticorrupción* ("National Anticorruption Commission") signed a two-year collaboration agreement to carry out coordinated efforts to better process corruption complaints and to implement preventive measures, to identify and promote best practices, to enhance communication between both entities, in order to develop training programs promoting ethical behavior, and to promote civic involvement throughout the country to increase public accountability. On June 11, 2019, the *Función de Transparencia y Control Social* (the "Transparency Committee"), composed of representatives of 14 government entities and presided over by the Comptroller General, approved a national plan aimed at building inter-institutional collaboration in the fight against corruption.

On July 25, 2019, President Moreno issued decree No. 828 ("Decree 828") designating the Anticorruption Secretariat as Ecuador's representative authority under the terms of the Inter-American Convention against Corruption.

Strategic Sectors of the Economy

The Ministry for the Environment, the Ministry of Telecommunications and the Ministry of Energy and Non-Renewable Natural Resources (which resulted from the merger of the Ministry of Electricity and Renewable Energy, the Ministry of Mines and the Ministry of Hydrocarbons) are in charge of the water, telecommunications, electricity, and natural resources (oil and mining) sectors of the economy, respectively.

The Republic considers these sectors as the most important aspects of its economy. Consequently, public investment in these segments has grown at a rapid rate. Historically, the Government has considered the water, telecommunications, natural resources, and electricity sectors to be the most important sectors of the economy. In 2014, the Government invested U.S.$7,017 million in these strategic sectors, compared to U.S.$6,536 million in 2013. In 2015, investment in Ecuador's principal economic sectors decreased by 18% to U.S.$5,736 million. This decrease was due to the Government's decision to decrease investment in the oil sector in 2015 as a result of expected lower revenues from oil sales. Investment in the oil and mining sector decreased from U.S.$3,014 million in 2015 to U.S.$2,533 million in 2016. In 2016, the Government invested U.S.$4,386 million in the strategic sectors, compared to U.S.$5,736 million in 2015. In 2016, the Government invested in water, telecommunications, natural resources and electricity, including investments made by the state-owned company that administered all infrastructure projects carried out by the *Ministerio Coordinador de Sectores Estratégicos* (the "Ministry of Coordination of Strategic Sectors" or "*MICSE*") which was abolished on May 24, 2017, and other areas of investments including those made by the Ministry for the Environment and the Public Enterprise Administrator of the Special Economic Development Zone Eloy Alfaro ZEDE.

The total aggregate investment amount in the strategic sectors from 2012 to 2016 was U.S.$28,024 million.

The following chart sets forth accumulated investment in strategic sectors since 2013.

Strategic Sector Investment[1]

(in millions of U.S.$)

	2013	2014	2015	2016[2]
Water……..	201	363	485	234
Telecommunications	425	296	321	240
Natural Resources (oil and mining)	3,915	4,339	3,014	2,533
Electricity……...	1,730	1,777	1,801	1,348
Ecuador Estratégico.....	191	175	57	28
Other investment [3].....	67	66.12	56.31	26
Total Investment	**6,529**	**7,017**	**5,734**	**4,409**

Source: MICSE Information available as of December 2016.

(1) Strategic sector investment figures are no longer published.

(2) Includes preliminary information. Public companies have yet to adjust their budgets.

(3) Includes investments made by the Ministry for the Environment and the Public Enterprise Administrator of the Special Economic Development Zone Eloy Alfaro (ZEDE).

Ecuador Estratégico

Ecuador Estratégico is a state-owned company created by executive decree in 2011 tasked with evaluating project proposals submitted by municipalities, administering and distributing funds towards approved projects, and supervising the completion and progress of each project. *Ecuador Estratégico* also acts as supervisor in public procurement for the financing of infrastructure projects. These financings are procured through public tender carried out by the Ministries under the supervision of *Ecuador Estratégico*, in consultation with the Ministry of Economy and Finance. A project is assigned to the financing entity through a points-based evaluation system that considers the bidders' qualifications as well as compares the Ministry's particular needs and preferences with the different elements of the bids (e.g. price, experience of the financing entity in the type of project, and overall experience, among others). The financing entity with the most points is chosen to finance the project. Financing can be procured through joint venture contracts and direct investment through a concession grant or service contract.

On February 13, 2015, former President Correa signed decree 578 ("Decree 578"), which creates the *Ministerio de Minas* ("Ministry of Mines") and renames the Ministry of Non-Renewable Natural Resources as the *Ministerio de Hidrocarburos* ("Ministry of Hydrocarbons"). Decree 578 was signed with the purpose of establishing one ministry to supervise and regulate geological, mineral, and metallurgical activities in the country, which were formerly undertaken by the Ministry of Natural Resources and the Vice-Ministry of Mines. On May 15, 2018, by executive decree, President Moreno merged the Ministry of Hydrocarbons, the Ministry of Electricity and Renewable Energy, the Ministry of Mining and the Secretariat of Hydrocarbons to become the Ministry of Energy and Non-Renewable Natural Resources. A 90-day period was established for the implementation of the merger. On August 8, 2018, President Moreno issued decree No. 471 extending the term for the implementation of the merger until September 14, 2018. The merger was implemented in September 2018.

Oil Sector

Ecuador's oil reserves are managed directly by state-owned oil companies Petroecuador and Petroamazonas and through service contracts with other Ecuadorian and foreign companies. Oil exploitation operations are conducted under the supervision and regulation of the Ministry of Energy and Non-Renewable Natural Resources acting through the Hydrocarbons Regulation and Control Agency.

The Ministry of Energy and Non-Renewable Natural Resources also provides technical, economic and legal support in service contract origination and public bidding processes. In November 2012, former President Correa signed decree 1351-A (the "Consolidation Decree"), which consolidated the operations of Petroecuador and Petroamazonas allocating exploration and exploitation of hydrocarbon resources to Petroamazonas and transportation, refining and commercialization activities to Petroecuador.

While revenues from oil exports (including oil derivatives) decreased from 2012 to 2016, non-petroleum sources of revenue in the non-financial public sector increased during that time period. As a result, the percentage of oil revenues with respect to GDP declined in relation to the percentage of GDP of non-petroleum revenues during that time period. According to data from the Central Bank of Ecuador, Ecuador's crude oil exports reached

U.S.$13,016 million in 2014, a 3.0% decrease from U.S.$13,412 million in 2013. Additionally, crude oil exports in 2015 reached U.S.$6,355 million, a 51.2% decrease from U.S.$13,016 million in 2014. In 2016, crude oil exports reached U.S.$5,054 million, a 20.4% decrease from U.S.$6,355 million in 2015. This decrease was due to a decrease in the average price of Ecuadorian petroleum per barrel from U.S.$45.68 in 2015 to U.S.$34.96 in 2016. The Esmeraldas refinery underwent a period of preventative maintenance through the end of 2015. In 2016, the fully-operational Esmeraldas refinery processed larger quantities of refined petroleum, temporarily reducing the average price of petroleum per barrel up to the third quarter of 2016, when the price of petroleum began to increase. In 2017, crude oil exports reached U.S.$6,190 million, a 22.5% increase from U.S.$5,054 million in 2016. This increase was due to an increase of 31% in the average price of petroleum per barrel from U.S.$34.96 in 2016 to U.S.$45.68 in 2017. In 2018, crude oil exports totaled U.S.$7,853 million, a 26.9% increase from U.S.$6,190 million in 2017. This increase was due to an increase in the average international price of petroleum per barrel from U.S.$45.68 in 2017 to U.S.$60.55 in 2018, despite a 4% decrease in export volume, from 18,950 thousand metric tons to 18,192 thousand metric tons. In the first ten months of 2019, crude oil exports totaled U.S.$6,478 million, a 4.2% decrease from U.S.$6,764 million in the first ten months of 2018. This decrease was primarily due to a 10.8% decrease in the average price of petroleum per barrel from U.S.$62.5 to U.S.$55.7. In the first eleven months of 2019, crude oil exports totaled U.S.$7,052 million, a 4.0% decrease from U.S.$7,346 million in the first eleven months of 2018.

Revenues from non-petroleum sources in the non-financial public sector increased in both 2014 and 2015, reaching U.S.$23,939 million in 2014 and U.S.$25,758 million in 2015. Both increases were due to increased tax revenues for both years. In 2016, revenues from non-petroleum sources in the non-financial public sector reached U.S.$24,294 million, which is a decrease from the U.S.$25,758 million in 2015. This decrease was due to certain factors including a reduced collection in taxes mainly in income taxes and value-added tax which decreased by 23% and 15% respectively from 2015. In 2017, revenues from non-petroleum sources in the non-financial public sector reached U.S.$25,473 million, which is an increase from the U.S.$24,294 million in 2016. This increase was primarily due to the recovery of investment through the sale of shares in 2017. In 2018, revenues from non-petroleum sources in the non-financial public sector totaled U.S.$27,644 million, an 8.5% increase from U.S.$25,473 million in 2017. This increase was primarily due to an increase in revenues from tax collections. Revenues from non-petroleum sources in the non-financial public sector as of September 30, 2019, totaled U.S.$12,857 million, a 2.3% decrease from U.S.$13,157 million in the same period in 2018. This decrease was primarily due to an increase in non-tax revenue. Revenues from non-petroleum sources in the non-financial public sector as of October 31, 2019, totaled U.S.$22,183 million, a 1.5% decrease from U.S.$22,521 million in the same period in 2018.

In 2017, Central Government oil revenues represented 1.6% of GDP and 9.2% of Central Government revenues and non-petroleum revenues represented 16.0% of GDP and 90.8% of Central Government revenues. For more information on Central Government revenues, see "*Public Sector Finances—Central Government Revenues and Expenditures*." In the same year, oil revenues for the non-financial public sector represented 5.6% of GDP and 17.5% of non-financial public sector revenues and non-petroleum revenues represented 24.4% of GDP and 76.2% of non-financial sector revenues. In 2017, Central Government oil revenues reached U.S.$1,676 million, which is a decrease from the U.S.$2,003 million in 2016. This decrease was due to a decrease in oil production in 2017. For more information on revenues of the non-financial public sector, see "*Public Sector Finances—Non-Financial Public Sector Revenues and Expenditures*."

In 2018, Central Government oil revenues represented 1.9% of GDP and 10.4% of Central Government revenues and non-petroleum revenues represented 16.7% of GDP and 89.6% of Central Government revenues. For more information on Central Government revenues, see "*Public Sector Finances—Central Government Revenues and Expenditures*." In the same year, oil revenues for the non-financial public sector represented 8.0% of GDP and 22.2% of non-financial public sector revenues and non-petroleum revenues represented 25.6% of GDP and 71.1% of non-financial sector revenues. In 2018, Central Government oil revenues reached U.S.$2,109 million, which is an increase from the U.S.$1,676 million in 2017. This increase was due to variations in price and volume of imports of oil derivatives, while oil production decreased by 5.14 million barrels, price per barrel increased by U.S.$13.94 during that period. For more information on revenues of the non-financial public sector, see "*Public Sector Finances—Non-Financial Public Sector Revenues and Expenditures*." Central Government oil revenues reached U.S.$1,649 million as of September 30, 2019, a 1.5% decrease compared to U.S.$1,674 million for the same period in 2018. This decrease was primarily due to the decrease in the price per barrel of oil in 2019. Central Government

oil revenues reached U.S.$1,864 million as of October 31, 2019, a 1.8% increase compared to U.S.$1,831 million for the same period in 2018.

In January 2015, in response to the decline of oil prices in the last quarter of 2014, Ecuador reduced its 2015 budget by U.S.$1.4 billion, resulting in a modified budget of U.S.$34.9 billion for 2015. In August 2015, in response to the continuing decline of oil prices, Ecuador further reduced its 2015 budget by U.S.$800 million, resulting in a modified budget of U.S.$34.1 billion. In November 2015, the National Assembly approved a budget of U.S.$29.8 billion for 2016, a decrease of 17.9% as compared to the original budget for 2015. The 2016 budget assumed an average crude oil price of U.S.$35 per barrel, which represents a 56% decrease from the U.S.$79.7 per barrel assumption of the original 2015 budget. The actual average crude oil price per barrel at the end of 2016 was U.S.$34.96, which represents a 16.52% decrease from the actual U.S.$41.88 average crude oil price per barrel at the end of 2015.

Petroecuador and Petroamazonas are state-owned companies and are legal entities with their own assets and budgetary, financial, economic and administrative autonomy. The Ministry of Energy and Non-Renewable Natural Resources conducts the management of non-renewable hydrocarbon resources and is tasked with executing activities such as the administration of oil fields and the execution and modification of oil field contracts.

As part of the ongoing plan to optimize the administration of the State, a committee was created among the Public Companies Coordinator Company, the General Secretariat of the Presidency, the National Secretariat for Planning and Development and the Ministry of Energy and Non-Renewable Natural Resources, along with technical teams from Petroecuador and Petroamazonas, to start carrying out the process to merge Petroecuador and Petroamazonas. On April 24, 2019, President Moreno issued Decree 723 ordering the merger of Petroecuador and Petroamazonas into a single public company, and creating the Temporary Merger Unit charged with managing the merger under the supervision of the Minister of Energy and Non-Renewable Natural Resources. The decree also sets December 31, 2020 as the deadline for completion of the merger.

Exploitation

Under the 2008 Constitution, all subsurface natural resources are property of the state, and in the case of petroleum, following the Consolidation Decree, its exploitation is undertaken directly by Petroamazonas. The 2008 Constitution, however, permits the Government to contract with the private sector for the development of these natural resources.

The 2008 Constitution, the Hydrocarbons Law, the Consolidation Decree, decree No. 315 ("Decree 315") and decree No. 314 ("Decree 314") set out the following reforms which clearly define the public sector oil entities' functions as follows:

- the Ministry of Hydrocarbons (now the Ministry of Energy and Non-Renewable Natural Resources) implements the hydrocarbon policies defined by the Republic's president;

- the Secretariat of Hydrocarbons (now part of the Ministry of Energy and Non-Renewable Natural Resources) of Ecuador conducts the public tender process for specific service contracts to develop oil fields, and executes and administers such contracts;

- the Hydrocarbons Control and Regulation Agency controls and oversees hydrocarbon activity in all its phases;

- Petroecuador is involved in the refining, and industrialization of hydrocarbon activities, as well as their internal and external marketing; and

- Petroamazonas is involved in the exploration and production of hydrocarbons.

For more information on the formation of the Ministry of Energy and Non-Renewable Natural Resources through the merger of the Ministry of Hydrocarbons, the Ministry of Electricity and Renewable Energy, the Ministry of Mining and the Secretariat of Hydrocarbons, see "*The Republic of Ecuador—Form of Government*."

Under the above framework, Ecuador allows foreign investment in its hydrocarbon resources, which, under the 2008 Constitution and Hydrocarbons Law are exclusively owned by the state. In November 2010, the Government completed its contract renegotiations with foreign oil companies under the Hydrocarbons Law, which, as mentioned above, replaced production-sharing agreements for private companies with a fixed per-barrel fee for their exploration and production activities.

Production

Petroleum Production
(in thousands of barrels per year, except where noted)

	For the year ended December 31,					For the Ten Months Ended October 31,	
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019**
Petroleum [1]	557	543	548	531	517	517	528
Public Companies [2]	157,976	154,308	158,118	152,092	146,351	121,731	126,613
Other operators	45,166	43,922	42,593	41,837	42,438	35,506	34,011
Total	**203,142**	**198,230**	**200,711**	**193,929**	**188,789**	**157,237**	**160,625**
Natural Gas Production [3]	**20,410**	**17,550**	**18,633**	**16,337**	**12,461**	**10,636**	**9,495**

Source: Petroleum data is based on figures from the Central Bank November 2019 Monthly Bulletin (Table 4.1.1).
(1) Petroleum information is displayed in thousands of bpd.
(2) Public company numbers include the production of Rio Napo.
(3) Natural Gas Production information is displayed in millions of cubic feet.

According to the Central Bank's Monthly Bulletin for August 2019, oil field crude production, including that of private and state-owned companies, reached 200.7 million barrels for the year 2016, averaging 548,000 bpd. This represents a 1.2% increase from the 198.2 million barrels produced for the year 2015, or an average production of 543,000 bpd. This increase was principally due to the commencement of operations at new oilfields, such as ITT. In the year 2016, state-owned companies were responsible for 78.8% of production, compared to 77.8% of production for the year 2015. According to the Central Bank's Monthly Bulletin for August 2019, oil field crude production, including that of private and state-owned companies, reached 193.9 million barrels for the year 2017, representing a 3.4% decrease from the 200.7 million barrels produced for the year 2016 (and a decrease of 3.1% in bpd). In 2017, state-owned companies were responsible for 78.4% of production, compared to 78.8% in 2016. This decrease was principally due to the Republic's compliance with the OPEC Agreement under which the Republic agreed to reduce its crude production by 26,000 barrels per day beginning on January 1, 2017. According to the Central Bank's Monthly Bulletin for December 2019, oil field crude production, including that of private and state-owned companies, reached 188.8 million barrels for the year 2018, representing a 2.7% decrease from the 193.9 million barrels produced in 2017 (and a decrease of 2.7% in barrels per day). According to the Central Bank's Monthly Bulletin for December 2019, oil field crude production, including that of private and state-owned companies, reached 177.0 million barrels for the eleven months ended November 30, 2019, representing a 2.5% increase from the 172.7 million barrels produced in the same period of 2018 (and an increase of 2.5% in barrels per day).

In 2018, state-owned companies were responsible for 77.5% of production, compared to 78.4% in 2017. This decrease was principally due to delays in production schedules resulting from delays in acquisitions and temporary limitations in works and facilities, and to the increase in private oil production in 2018. In the nine months ended September 30, 2019, state-owned companies were responsible for 78.7% of production, compared to 77.4% of production in the same period of 2018. This increase was principally due to the production increase in the Auca and ITT fields. In the eleven months ended November 30, 2019, state-owned companies were responsible for 78.9% of production, compared to 77.5% of production in the same period of 2018.

The vast majority (95%) of Ecuador's oil blocks are located onshore. The most productive oil blocks are located in the northeastern part of the country, with Shushufindi and Auca as two of the oldest and most productive

fields. Crude oil production has increased in the last ten years with the opening of the *Oleoducto de Crudos Pesados* (the "OCP") pipeline (see "*Transportation*" below), which removed a chokepoint on heavy crude oil transportation in the country. Production in existing fields has leveled off in recent years as the result of the natural decline in the productivity of existing blocks, particularly older blocks such as Shushufindi, which has been in operation for over forty years. In January of 2012, in order to boost production, Petroecuador signed incremental production contracts with two oil company consortiums. *Consorcio Shushufindi*, currently composed of oil field services companies Schlumberger, through its subsidiary Shushufindi Holdings B.V. and Tecpetrol, through its subsidiary Tecpetrol Servicios, S.L. was awarded the contract for the Shushufindi field. The company Pardaliservices S.A., which comprises Tecpetrol, Canada's Canacol Energy, Schlumberger and Ecuador's Sertecpet, will work on the Libertador-Atacapi field. These companies will invest more than U.S.$380 million to extract more than 14 million barrels of oil over the course of 15 years.

Despite the decrease in production in 2015, the Republic expects production to increase significantly through the development and inauguration of new fields. In 2010, Petroamazonas began production in the Pañacocha field in the Ecuadorian Amazon. On November 28, 2012, former President Correa officially launched the 11th round of tenders for oil exploration of thirteen oil blocks in southeast Ecuador. Ecuador earmarked three additional fields for Petroamazonas to enter into exploration agreements with foreign state-owned oil companies. The first agreement was a joint-venture agreement signed in September 2014 with EOP Operaciones Petroleras S.A. (owned by Chile's state-owned ENAP Sipetrol S.A.) and Belarus' Belorusneft. Under the agreement, EOP Operaciones Petroleras S.A. and Belorusneft plan to invest U.S.$350 million to explore and develop a 175.250 hectares concession in block 28 in southeastern Ecuador for approximately 20 years. Petroamazonas expects to own a 51% stake in the project, while EOP Operaciones Petroleras S.A. and Belorusneft expect to own 42% and 7%, respectively. Exploration activities began on April 2015 for a four-year period. As of the date of this Offering Circular, Ecuadorian law permits the Government to evaluate the proposals of possible foreign state-owned oil companies for future joint venture contracts.

In August 2013, former President Correa signed a decree authorizing the exploitation of oil from exploratory blocks 31 and 43, which include the ITT field in Yasuní National Park. As of December 31, 2016, Petroamazonas estimated that exploratory block 43 has proven crude oil reserves of approximately 78.96 million barrels and proven, probable and possible crude oil reserves of approximately 630 million barrels. This decree reversed a moratorium imposed since 2007 on the extraction of oil from ITT, which was created to protect biodiversity and avoid dislocation of isolated indigenous cultures with support from international donors to partially offset the opportunity costs of not developing the ITT fields. However, considering the low levels of support from international donors at the time as well as the potential gains from the extraction of oil for this initiative, former President Correa issued the decree allowing development of the ITT fields. Following the issuance of the decree in August 2013, environmental and indigenous groups announced their opposition to the removal of the moratorium and the executive decree authorizing the development of the ITT fields; however, the National Assembly approved the use of the ITT fields and, as of May 2014, the Ministry for the Environment had issued permits allowing Petroamazonas to develop the fields. Ecuador expects that the output from the ITT fields will offset the decline from existing oil fields and increase overall production. On September 7, 2016, Petroamazonas began extracting oil from the ITT fields. Since then, the production peaked at 86,618 bpd on October 31, 2018, reached 71,663 bpd in July 2019, and it is expected to surpass the level of 120,000 bpd by 2021. As of October 31, 2019, the following platforms were in operation: Tiputini A with 20 drilled wells and an average production of 8,743.2 bpd; Tiputini B with 3 drilled wells and no production; Tiputini C with 35 drilled wells (29 production wells) and an average production of 10,360.94 bpd; Tiputini D with 13 drilled wells and an average production of 6,989.69 bpd; Tiputini E with 11 drilled wells and an average production of 1,389.94 bpd; Tambococha A with 20 drilled wells and an average production of 11,089.32 bpd; Tambococha D with 24 drilled wells and an average production of 10,242.41 bpd, Tambococha B with 11 drilled wells and an average production of 18,982.35 bpd, and Tambococha E with 12 drilled wells and an average production of 11,887.3 bpd.

In December 2015, Shaya Ecuador S.A. ("Shaya"), a subsidiary of Schlumberger B.V., entered into an oilfield servicing contract with Petroamazonas. The 20-year agreement commits Shaya to spend U.S.$4.9 billion between investments and operative expenditures in production-enhancing measures at block 61, located in the Ecuadorian Amazon. The primary part of Shaya's investment will be spent on improving upstream production. However, the company assumes the block's operational costs for an amount of U.S.$1.8 billion and invests U.S.$2.1 billion during the term of the contract.

In August 2016, Petroamazonas started oil production in the Sacha field located at block 60, in the Orellana province. As of April 2019, production in the Sacha field reached 70,021 bpd, making it one of the most productive oil fields in the country. The Sacha field is estimated to have crude oil reserves of approximately 362 million barrels.

In December 2017, Petroamazonas successfully concluded the negotiations of Ronda de Campos Menores 2017. SEA Ecuador, CNPC, Vinccler C.A. and Cementaciones Petroleras Venezolanas were awarded with the contracts for 7 blocks in the regions of Orellana and Sucumbíos, and four service contracts, with a WTI-indexed tariff, were entered into. The total investment between 2018 and 2020 is expected to be U.S.$696 million and it is estimated to produce 104.46 million of barrels during the 10 years of its term.

In May 2018, Petroamazonas started the public procurement of the "Oil & Gas" round for the awarding of specific performance contracts for the exploitation of the crude fields of Cuyabeno-Sansahuari, Yuralpa, Oso and Blanca-Vitina, and the gas field of Amistad, as a result of which four service contracts, with a WTI-indexed tariff, were entered into for the exploitation of the crude fields of Cuyabeno-Sansahuari, Yuralpa, Oso and Blanca-Vitina. Petroamazonas estimates that the total investment between 2019 and 2021 will be approximately U.S.$728 million.

On January 23, 2019 Petroamazonas endorsed the "Zero Routine Flaring by 2030" initiative whereby it commits to incorporate sustainable utilization or conservation of its oil fields associated gas without routine flaring, and to implement economically viable solutions to eliminate this practice as soon as possible, and no later than 2030.

On May 22, 2019, as part of the XII Interfields Oil Round, the Government, acting through the Ministry of Energy and Non-Renewable Natural Resources, entered into seven participation agreements for the exploration and exploitation of seven new oil blocks in the Sucumbíos province: Arazá Este, Iguana, Perico, Espejo, Sahino, Charapa and Chanangue, with the following companies: Petróleos Sudamericanos del Ecuador Petrolamerec S.A. (two agreements), Gran Tierra Energy Colombia LLC (three agreements) and the consortium formed by Frontera Energy Colombia Corp. and Geopark Perú S.A.C. (two agreements). The Government estimates that these agreements will result in a total U.S.$1,170 million investment by those companies in the next four years. These fields are expected to produce 18,000 bpd by 2024.

On September 30, 2019, block 43, which includes the 139 ITT fields of Ishipingo, Tipituni and Tambococha, reached 82,658 bdp in oil production, becoming the area with the largest oil operation in Ecuador. This increase in the production in this area was principally due to the opening for production of the Tambococha fields on September 24, 2019, with an average of 4,250 bpd of oil. The ITT fields are expected to generate approximately U.S.$603 million in revenues in 2020.

On October 3, 2019, various groups organized protests relating to the elimination of the subsidies and increase in prices. The protests lasted for almost two weeks and President Moreno relocated the government to Guayaquil on a temporary basis. For more information, see "*The Republic of Ecuador—Recent measures by President Moreno.*" From October 7 through October 13, 2019, protesters relating to the elimination of subsidies occupied certain fields and disrupted oil productions by among other things, blocking roads allowing for the transportation of crude oil, causing the Government to suspend oil production in 20 oil fields located in the provinces of Orellana, Sucumbíos and Napo, resulting in U.S.$136.86 million in losses. As part of the Government's efforts to normalize production after the unrest, the Tambococha fields 65 and 66 were opened for production in October 2019. As a result, by October 31, 2019, block 43 reached 86,618 bpd in oil production. As of the date of this offering circular, oil production has normalized.

Exports

Ecuador's crude oil exports in 2015 reached U.S.$6,355 million, a 51.2% decrease from U.S.$13,016 million in 2014. The decrease was due to the decrease in the price of oil beginning in late 2014 and continuing through 2015 and 2016. In 2016, crude oil exports reached U.S.$5,054 million, a 20.5% decrease from U.S.$6,355 million in 2015. This decrease was due to a decrease in the average price of Ecuadorian petroleum per barrel from U.S.$45.68 in 2015 to U.S.$34.96 in 2016. The Esmeraldas refinery underwent a period of preventative maintenance up through the end of 2015. In 2016, the fully-operational Esmeraldas refinery, processed larger quantities of

refined petroleum, temporarily reducing the average price of petroleum per barrel up to the third quarter of 2016, when the price of petroleum began to increase. In 2017, crude oil exports reached U.S.$6,190 million, a 22.5% increase from U.S.$5,054 million in 2016. This increase was due to an increase of 31% in the average price of petroleum per barrel from U.S.$34.96 in 2016 to U.S.$45.68 in 2017. In 2018, crude oil exports totaled U.S.$7,853 million, a 26.9% increase from U.S.$6,190 million in 2017. This increase was due to an increase in the average price of petroleum per barrel from U.S.$45.68 in 2017 to U.S.$60.55 in 2018, despite a 4% decrease in export volume. In the first ten months of 2019, crude oil exports totaled U.S.$6,478 million, a 4.2% decrease from U.S.$6,764 million in the first ten months of 2018. This decrease was primarily due to a 10.8% decrease in the average price of petroleum per barrel from U.S.$62.5 to U.S.$55.7. In the first eleven months of 2019, crude oil exports totaled U.S.$7,052 million, a 4.0% decrease from U.S.$7,346 million in the first eleven months of 2018.

In 2015, 95.4% of the value of oil exports was crude oil and 4.6% was oil derivatives. In 2016, 92.6% of the value of oil exports was crude oil and 7.4% was oil derivatives. In 2017, 89.5% of the value of oil exports was crude oil and 10.5% was oil derivatives. In 2018, 89.2% of the value of oil exports was crude oil and 10.8% was oil derivatives. In 2015, 62.5% of oil exports were exported to the United States, followed by Chile, Peru, Panama, and Japan with 13.2%, 10.1%, 6.1%, and 2.4%, respectively. In 2016, 51.8% of oil exports were exported to the United States, followed by Chile, Peru, Panama and China with 16.2%, 12.3%, 11.4%, and 4.3%, respectively. In 2017, 55.1% of oil exports were exported to the United States, followed by Peru, Chile and others with 15.5%, 15.4%, and 14%, respectively. In 2018, the three main destinations of oil exports were the United States of America, Peru and Chile with 51.1%, 16.1% and 14.6%, respectively. In the first ten months of 2019, they were the United States, Panama and Chile with 45.5% , 21.6% and Chile 14.6%, respectively.

In June 2015, PTT Public Company Limited, a Thai state-owned oil and gas company, entered into an agreement providing for prepayments of U.S.$2.5 billion to Petroecuador in connection with a crude oil supply agreement.

On December 1, 2016, Petroecuador signed a crude oil sale and purchase contract with PTT Trading International Pte Ltd ("PTT International"), pursuant to which Petroecuador received initial prepayments of U.S.$600 million shortly after signing for crude oil to be delivered during the five-year term of the contract. On December 6, 2016, Petroecuador signed a fuel oil sale and purchase contract with Oman Trading International Ltd ("OTI"), pursuant to which Petroecuador received an initial prepayment of U.S.$300 million for fuel oil to be delivered to OTI during the 30-month term of the contract, which has been already fully amortized by Petroecuador. In connection with each contract, the Republic has agreed to refund to the purchasers any amounts of the prepayments and related surcharges for advance payment which are not otherwise satisfied through the delivery of crude oil or fuel oil, respectively, or refunded by Petroecuador in accordance with the contracts. In 2018, Petroecuador reached an agreement with Petrochina, Unipec, PTT Public Company Limited and PTT International in order to amend each of crude oil supply agreements between Petroecuador and each of these companies. The new amendments are effective as of May 1, 2018.

Transportation

Ecuador has two major oil pipelines. Most of Ecuador's crude oil production is transported through the Trans-Ecuadorian Pipeline System (the "SOTE"), which links Lago Agrio in the Oriente region to the Balao export terminal on the Pacific coast. The SOTE was built by Texaco (now Chevron) and was transferred to Petroecuador in 1998. The SOTE has a capacity of approximately 360,000 bpd. In 2014, the SOTE transported 132.5 million barrels, averaging 363,097 bpd, an increase of 0.4% compared to 2013. In 2015, the SOTE transported 133.7 million barrels, averaging 366,215 bpd, an increase of 0.9% compared to 2014. In 2016, the SOTE transported 132.89 million barrels, averaging 363.09 thousand bpd, a decrease of 0.6% compared to 2015. In 2017, the SOTE transported 131.1 million barrels, averaging 359.1 thousand bpd. In 2018, the SOTE transported 125.6 million barrels, averaging 344.0 thousand bpd. In the first eleven months of 2019, the SOTE transported 113,916 million barrels, averaging 341.1 thousand bpd.

On May 31, 2013, a rain-caused landslide ripped up a tranche of the SOTE near the Reventador volcano in the north-east region of Ecuador, near Peru and Brazil. It is estimated that approximately 11,500 barrels of oil were lost. Much of the oil spilled affected the waters of the Quijos, Coca and Napo rivers. Repairs of the affected tranche of the SOTE pipeline were finished in four days, after which the pipeline was fully operational again. A remediation

plan to address the environmental damage of the spill was immediately put in place by the Ecuadorian authorities. With a U.S.$4.5 million investment in these remediation efforts, the Ministry for the Environment hired an outside company to conduct the geological studies that were necessary to take appropriate actions to prevent this incident from happening again in the area. In addition, the Ministry of the Environment hired 394 workers who assisted in cleaning the affected area, performed tests on water in the affected area, distributed drinking water and food to the affected communities, and established a community health program to address health concerns.

In June 2001, Ecuador awarded the construction and operation contract for its second pipeline, the OCP heavy crude oil pipeline, to Oleoducto de Crudos Pesados Ecuador S.A., a consortium of domestic and foreign oil companies. The OCP pipeline was constructed at a cost of U.S.$1.4 billion, all of which was paid by the consortium. Construction was completed in September 2003, and operations began the same month. The contract for the operation of the OCP has a duration of twenty years and ends in 2023. At the end of the contract, the OCP pipeline will become national property. The Ministry of Energy and Mines and Petroleum (now the Ministry of Energy and Non-Renewable Natural Resources) oversaw the construction of the OCP pipeline, and now oversees its operation. The OCP pipeline is made up of two sections, the largest of which was designed to transport a maximum of 517,300 bpd and has a sustainable transportation rate of 450,000 bpd of crude oil of 18o to 24o American Petroleum Institute degrees. In 2014, the OCP pipeline transported 59.1 million barrels, averaging 161,929 bpd, an increase of 10.8% compared to 2013. In 2015, the OCP pipeline transported 62.1 million barrels, averaging 170,025 bpd, an increase of 5.0% compared to 2014. In 2016, the OCP pipeline transported 61.2 million barrels, averaging 167,171.29 bpd, a decrease of 1.40 % compared to 2015. In 2017, the OCP transported 59.9 million barrels, averaging 164.1 thousand bdp. In 2018, the OCP pipeline transported 61.2 million barrels, averaging 167.6 thousand bpd. In the first eleven months of 2019, the OCP pipeline transported 62,379 million barrels, averaging 186.8 thousand bpd.

Refining

Following the Consolidation Decree, Petroecuador is the only company that conducts refining activities in Ecuador. Petroecuador owns three refineries in Ecuador (Esmeraldas, La Libertad and Shushufindi) with processing capabilities of 110,000, 45,000 and 20,000 bpd, respectively. Petroecuador also owns one associated gas processing plant (Shushufindi), which has a processing capacity of 637.8 million barrels of liquefied petroleum gas ("LPG") and average production of 1,747.6 bpd.

In the first nine months of 2019, Petroecuador's oil-derivatives production amounted to 57.8 million barrels, including gasoline, diesel, fuel oil, jet fuel, liquefied petroleum and fuel blends in terminals, which represented a decrease of 4.7% compared to the 60.6 million barrels of oil derivatives produced in the same period of 2018. This decrease was due to an increase in interruptions due to programmed maintenance of facilities in 2019. In 2019, Petroecuador's oil-derivatives production amounted to 64.8 million barrels, including gasoline, diesel, fuel oil, jet fuel, liquefied petroleum and fuel blends in terminals, which represented a decrease of 7.2% compared to the 70.2 million barrels of oil derivatives produced in the same period of 2018. This decrease was mainly due to unscheduled maintenance in three of the country's refineries.

During 2016, the domestic consumption of oil derivatives was 87.6 million barrels, which represents a decrease of 5.5% compared to the 92.7 million barrels in 2015. During 2017, the domestic consumption of oil derivatives was 86.6 million barrels, which represents a decrease of 1.1% compared to the 87.6 million barrels in 2016. During 2018, the domestic consumption of oil derivatives was 93.2 million barrels, which represents a 7.7% increase compared to the 86.6 million barrels during 2017. In the first nine months of 2019, the domestic consumption of oil derivatives was 68.8 million barrels, which represents a 0.3% increase compared to the 68.6 million barrels for the same period in 2018. In the first ten months of 2019, the domestic consumption of oil derivatives was 91.3 million barrels, which represents a 2.4% decrease compared to the 91.3 million barrels for the same period in 2018. Ecuadorian refineries only produce sufficient oil derivatives to meet approximately 65% of domestic demand. Accordingly, Ecuador is a net importer of oil derivatives, even though it is a net exporter of crude oil.

In February 2013, Petroecuador announced that the Esmeraldas refinery would be undergoing a project of preventative maintenance, which resulted in reduced operations until year-end 2015, when all maintenance was completed. Reduced production by the Esmeraldas refinery during the preventative maintenance project required

Ecuador to import additional oil derivatives to meet domestic demand. Upon completion, improvements to the refinery included, among other things, the expansion of the Fluid Catalytic Fractionation Unit (the "FCC"), and replacement of the FCC's reactor and regenerator which increased processing capacity and improved the quality of finished products. Ecuador estimates that the preventative maintenance project at Esmeraldas will allow Ecuador to reduce imports of gasoline by 17%, diesel by 15%, and liquefied petroleum gas by 10%, resulting in annual savings of approximately U.S.$305 million in fuel import costs for the country. The cost of the project, contracted with several international companies including SK Engineering, was approximately U.S.$1.2 billion.

Operations at the Esmeraldas refinery were temporarily halted to allow for technical inspections of the facility following the earthquake on April 16, 2016 but resumed on April 18, 2016 and returned to full operating rates as of April 23, 2016 and intermittently halted for inspections following aftershocks. After the end of the project of preventative maintenance at Esmeraldas both its refining capabilities and production of oil derivatives increased. Esmeraldas' refining capabilities increased from 59,990 average bpd in 2015 to 105,677 average bpd in 2016. Esmeraldas' production of oil derivatives increased from 74,817 average bpd in 2015 to 120,520 average bpd in 2016. Esmeraldas' production of oil derivatives increased from 120,520 average bpd in 2016 to 122,919 average bpd in 2017. For 2018, the Government estimated that oil derivatives production totaled 44,803,229 barrels. In the fourth quarter of 2016, the Esmeraldas refinery suffered technical problems that prevented the operation of its plants at its maximum capacity. As a result, a new contract for the maintenance of tanks was expected to be entered into, an emergency declaration was declared to make up for the electricity deficit and contracts were entered into for the supply of electric power. In March 2018, Petroecuador announced that the Esmeraldas refinery will be undergoing a project of maintenance that will last three years. During this period, different parts of the Esmeraldas refinery will be temporarily halted to allow for maintenance. As of March 6, 2019, two units of the refinery were shut down for maintenance. Maintenance work on both units successfully ended on April 26, 2019 and August 2, 2019, respectively, after which the whole plant resumed normal operations.

As of December 31, 2019, there was no private sector participation in the production of oil derivatives. However, on July 15, 2008, Petroecuador and PDVSA Ecuador formed a new entity ("RDP") in which Petroecuador was the majority shareholder (51%) and PDVSA Ecuador was the minority shareholder (49%). RDP was formed to develop a refinery project to be built in the municipality of Manta, Manabí Province, with a total nameplate capacity to be determined. The land rights and environmental licenses necessary to develop RDP were obtained, and a preliminary detailed feasibility study of the project was completed. On October 11, 2018, the Government announced that the British company RPS Energy Ltd. had won the bid to audit the works performed in this refinery project. On January 9, 2019, RPS Energy Ltd. released the results of the audit finding, among others, certain technical anomalies in the project and that there had been price overcharges.

Although the project was initially going to be implemented by Petroecuador and PDVSA through RDP, on March 12, 2019, the Superintendent of Companies, Securities and Insurance approved RDP's liquidation and ordered RDP to commence winding up proceedings. There are currently certain preliminary investigations about, and legal proceedings against, RDP that need to be resolved prior to RDP's liquidation. RDP's liquidation is expected to last several months. As of the date of this Offering Circular, RDP has not yet been liquidated.

In March 2019, the Minister of Energy and Non-Renewable Natural Resources announced that Ecuador will launch in 2019 an international bid for an estimated U.S.$6,500 investment in building and operating a new refinery capable of handling up to 300,000 bpd, the location of which is still to be determined. The bid would also include a concession to improve the facilities in the Esmeraldas refinery. On August 27, 2019, the Ministry of Energy and Non-Renewable Natural Resources made a public call for potential investors to express their interest in designing, building and operating a new refinery. The deadline for interested parties to submit their “expressions of interest” in the project ended on October 21, 2019, at which time six submissions were made. As of the date of this Offering Circular, the Ministry of Energy and Non-Renewable Natural Resources has not announced the results of such evaluation.

Domestic Fuel Distribution

In 1993, the Government implemented a free market in domestic fuel distribution, which has led to a rapid modernization of distribution facilities. The price at which gasoline is sold to domestic distributors is fixed by an executive decree of the President in accordance with the Hydrocarbons Law, and set according to variables such as

domestic demand and the impact of the price on public finances. Until 1998, the Government had fixed the maximum profit level for distributors at 18%. In 1999, the fixed margin was eliminated. In early 2000, the Government reinstated a 15% fixed margin for regular gasoline and diesel fuels (distributors remained free to set any margin for premium gasoline). Since 2003, the fixed margin has been determined in cents per gallon. In 2005, the margin increased to U.S.$0.71 per gallon of regular gasoline and to U.S.$0.137 per gallon of diesel. These margins were set by executive decree No. 338 ("Decree 338"), which was issued in August 2005, and as subsequently modified. Any future change to the profit margin would require a new executive decree.

Decree 338 also regulates the sales price of consumer petroleum derivatives, and sets the price for consumers for gasoline and diesel products. The price of gasoline (net of value-added taxes) sold to consumers is fixed at U.S.$1.689 per gallon for gasoline and at U.S.$0.8042 per gallon for diesel. On August 23, 2018, President Moreno enacted executive decree No. 490 which provided that from August 27, 2018, the final price to consumers of high-octane gasoline "super" was fixed at U.S.$2.98.

On December 21, 2018, President Moreno issued Decree 619 eliminating the subsidy on certain types of gasoline and diesel, consequently increasing their prices for consumers. On January 7, 2019, following negotiations with representatives of the transportation sector, and in order to prevent a surge in general consumer prices, the Government agreed to keep in place the subsidy on automotive diesel. On January 12, 2019, the Government agreed with the shrimp industry to establish a compensation system for shrimp producers to minimize the effects of Decree 619 on the shrimp sector. Under Decree 619, the base price of high-octane gasoline "super" for the automotive sector is determined on a monthly basis by Petroecuador based on the international WTI price per barrel of crude oil plus average costs, including transportation, storage, commercial and other costs. At a consumer level, retailers will set their selling price based on market conditions. Under Decree 619, however, the price of diesel for the automotive sector remained fixed at U.S.$1.037.

On October 1, 2019, President Moreno issued Decree 883 expanding the scope of the liberalization of prices for hydrocarbons by eliminating the subsidy on certain types of gasoline and diesel and thereby increasing the prices for these fuels. Following the elimination of the subsidies, prices for gasoline type "extra" and diesel for the automotive sector began to be set on a monthly basis by Petroecuador based on average prices and costs.

On October 3, 2019, various groups organized protests relating to the elimination of the subsidies and increase in prices. On October 14, 2019, President Moreno issued Decree 894 terminating Decree 883, reversing the elimination of the subsidies and ordering the creation of a new policy on subsidies for hydrocarbons. Decree 894 did not set a deadline to implement this new policy. By reversing the elimination of the subsidies, Decree 894 returned the price of gasoline and diesel to the prices existing on October 1, 2019. Decree 894 commits the Government to design a more targeted subsidy policy through a new decree. On December 21, 2019, President Moreno announced that a new proposed policy is being reviewed with emphasis being put on strategies to eradicate the contraband of subsidized products and on determining which sectors and groups to focus the new subsidies policy on and is expected to be implemented between the months of February and April 2020.

Also as part of the austerity measures under the Plan of Prosperity, on December 21, 2018, President Moreno issued decree No. 624 reducing by 10% and 5% the salaries of high and mid-level government officials, respectively.

Several private multinational petroleum companies, including ExxonMobil and PDVSA Ecuador, have established service stations in Ecuador. As of November 30, 2019, Petroecuador maintains a network of 46 service stations of its own and 200 affiliate stations.

Natural and Liquefied Petroleum Gas

An important part of Petroecuador's commercial strategy includes the distribution of natural gas to southern Ecuador in order to reduce the consumption of LPG, the replacement of gasoline use with LPG for taxis and the creation of a network of service stations in order to compete in quality, service and price with private oil companies. As of December 31, 2016, Ecuador had approximately 184,470 million cubic feet of proven natural gas reserves and 358,463 million cubic feet of proven and probable natural gas reserves. As of December 31, 2018, Ecuador had

approximately 156,753 million cubic feet of proven natural gas reserves and 317,101 million cubic feet of proven and probable natural gas reserves. As of October 31, 2019, Ecuador had approximately 144,830 million cubic feet of proven natural gas reserves and 305,178 million cubic feet of proven and probable natural gas reserves. As of December 31, 2019, CELEC consumed an average of approximately 28 million cubic feet of natural gas per day in the plant Termogas Machala and the Ecuadorian industry consumed an average of approximately 4.6 million cubic feet of natural gas per day. Their consumption of natural gas defines their future demand.

The natural gas platform at the Amistad field in the bay of Guayaquil was previously operated by the U.S. Company Energy Development Corp. Ecuador Ltd. and then managed by Petroecuador. It is currently operated by Petroamazonas. In 2017, 2016, 2015 and 2014 Petroamazonas produced approximately 44.77 million standard cubic feet per day ("mmscfd"), 50.9 mmscfd, 48.1 mmscfd and 55.9 mmscfd of natural gas, respectively, at the Amistad field and at Petroamazonas' three satellite platforms which also produce natural gas. In 2018, Petroamazonas produced approximately 34.14 million standard cubic feet per day of natural gas at the Amistad field and at Petroamazonas' three satellite platforms which are also producers of natural gas. In the first nine months of 2019, Petroamazonas produced approximately 31.23 million standard cubic feet per day of natural gas in those locations.

In August 2013, Petroecuador began tests at the Monteverde LPG terminal. The terminal is a new facility, built as part of a combined LPG storage, transport and distribution project in the Guayas and Santa Elena provinces. Ecuador has invested U.S.$550 million in the combined project, which also includes the Monteverde-El Chorrillo pipeline. This new terminal replaced the floating LPG storage units and related maritime transport to Tres Bocas terminal, thereby generating expected annual savings of U.S.$40 million and easing congestion in the access canal to the Port of Guayaquil. The new facilities, which became operational in 2014, have a capacity to store 76,700 tons of LPG and have storage tanks for diesel and petroleum.

In February 2014, Petroecuador signed a long-term propane and butane requirement contract with Petredec Limited, a liquefied petroleum shipping company. Under the agreement, Petroecuador will buy up to 2,470,000 metric tons (plus or minus 20% at the option of Petroecuador) to be made in monthly deliveries of 72,500 metric tons per month. Petroecuador may also request for up to an additional 30,000 metric tons per month. The first monthly delivery of butane and propane occurred in March 2014 for 72,500 metric tons. According to Petroecuador, the contract is valued at approximately U.S.$2 billion.

On April 24, 2019, President Moreno issued decree No. 724 ("Decree 724") releasing the price of natural gas, liquefied petroleum gas and compressed natural gas produced in the Amistad fields for certain industrial activities to fluctuate based on market conditions. Before Decree 724, prices for these types of gas for certain industrial activities were set periodically by the Government. However, for certain activities in the manufacturing, hospitality and restaurant sectors, as well as for welfare kitchens and other Government programs, Decree 724 sets the price of these types of gas at U.S.$2.0 per million British Termal Units, up to a maximum amount of subsidized volume of gas which will be set periodically by the *Agencia de Regulación y Control Hidrocarburífero* (the "Hydrocarbons Regulatory Agency" or "ARCH"). Decree 724 did not affect the prices of gas for domestic use.

Mining

The mining sector represents an important source of potential resources for the development of the Republic. As of December 31, 2018, Ecuador had potential copper reserves valued at approximately U.S.$131,587 million, potential gold reserves valued at U.S.$52,639 million, molybdenum reserves valued at U.S.$10,207 million, and silver reserves valued at U.S.$2,650 million. In total, the nation estimated reserves valued at U.S.$197,083 million.

The Mining Law establishes norms for the exercise of the Government's rights to manage and control the mining sector, in accordance with the principles of sustainability, precaution, prevention and efficiency. It provides that it is the Government's responsibility to oversee all aspects of the mining process, such as exploration, development, industrialization and marketing and authorizes the Republic to invest directly or through joint ventures with domestic or foreign private sector entities. In addition, it authorizes the Republic to both hire and grant licenses and concessions to wholly owned private entities to conduct all phases of development. However, the Republic

cannot grant ownership rights in the soil and subsoil mineralogical wealth to entities that are not controlled by state entities.

The mining sector represents a small portion of GDP (0.50% in 2018, 0.48% in 2017, 0.47% in 2016, 0.35% in 2015 and 0.35% in 2014). Ecuador expects mining exports to continue to increase as a result of an expansion of the Republic's mining projects in 2014 and 2015. Currently, there are five projects in advanced stages of completion two copper mines and three gold mines. Of these five mining projects, the Mirador Project and and the Fruta del Norte Project started production in 2019, both projects with an expected U.S.$860 million investment over 2019 and 2020.

The Mirador Project, located in the Zamora Chinchipe province, is the largest copper project in Ecuador. The Mirador Project is financed in part through a concession to Ecuacorriente S.A., a joint-venture owned by the Chinese companies China Railway Construction Corporation ("CRCC") and Tongling Nonferrous Metals Group. From 2010 to the second semester of 2018, the executed investment was U.S.$1,169 million and Ecuacorriente S.A. is planning an investment of approximately U.S.$2,015 million (exploration, economic evaluation, construction, mine closure and other investments). The expected life cycle of the mine is 27-30 years from the start of production. The Republic expects that the project will generate approximately U.S.$7.64 billion in revenue for the Republic. Despite the project being partially suspended over environmental concerns since March 2018, the construction of the copper mine was completed and began operations on July 18, 2019, becoming Ecuador's first large-scale mining project. During its first six months of operations, it is expected that the Mirador Project will produce 10,000 tons of copper per day, after which production is expected to increase slowly, eventually reaching 60,000 tons of copper per day. The Mirador Project also features Ecuador's first processing plant for large-scale mining, encompassing all stages of processing to make the copper ready for export.

The Fruta del Norte Project, located in the Zamora Chinchipe Province, is a gold and silver ore deposit owned by the Lundin Gold group, which started operations in the fourth quarter of 2019. From 2007 to the first semester of 2018 the executed investment was U.S.$669 million, Lunding Gold is planning an investment of approximately U.S.$1.24 billion (exploration, economic evaluation, CAPEX, OPEX, and mine closure) that will be made over a 13-15-year period. The gold and silver ore deposit in the Zamora Chinchipe Province began construction in the second quarter of 2017. The Government estimates that the project will produce 3,500 tons of ore and silver per day. The Republic expects that the project will generate approximately U.S.$1,523 million. The Fruta del Norte Project was formally inaugurated on November 14, 2019.

The Río Blanco project is mainly a gold mining project located in the Azuay Province owned by Junfield Resources S.A. which began construction in August 2016. This project is classified as medium mining as it is expected to produce an estimated 800 tons per day. From 2010 to the first semester of 2018, the executed investment was U.S.$18 million, Junfield Resources S.A. is planning an investment of approximately U.S.$89 million (exploration, economic evaluation, CAPEX, OPEX, and mine closure) that will be made over an 11-year period. The Río Blanco project was expected to start production in the third quarter of 2018 but is currently suspended under court order finding in favor of the people of the communities surrounding the project. On August 3, 2018, the lower court order to suspend the project's mining activities was affirmed on appeal.

The Loma Larga project, located in the Azuay Province, is a gold, silver, and copper deposit owned by INV Metals Inc. that is expected to begin construction in 2020 and start production in 2022. From 1999 to the first semester of 2018 the executed investment was U.S.$61 million. The Loma Larga is expected to generate around U.S.$511 million of revenue to the Republic with an investment of over U.S.$432 million (exploration, economic evaluation, CAPEX, OPEX, and mine closure). On November 29, 2018, the then Minister of Energy confirmed the project's technical and economic feasibility, citing the results of a study performed on the project by an international consortium led by the firm DRA Americas Inc. On February 1, 2019, the CNE approved public consultations to be held on March 24, 2019, in the Girón canton, Azuay province, to approve or reject mining activities in Girón. In response, the Ministry of Energy and Non-Renewable Natural Resources lodged a complaint with the Constitutional Court to enjoin the consultations alleging the CNE lacked legal authority to approve them. On March 13, 2019, a judge temporarily suspended the public consultations until the Constitutional Court ruled on the matter. On March 18, 2019 the Constitutional Court rejected the complaint on the basis that the statute of limitations had elapsed. On March 24, 2019, the consultations were held, resulting in the rejection of mining activity in Girón by 87.79% of the votes. Following the vote, INV Metals, Inc. announced that it was considering relocating its processing and waste

facilities outside of Girón, as Loma Larga's mineral resources and reserves are already located outside of Girón, and is seeking further legal clarification on the results of the consultations and the potential implications.

The San Carlos Panantza project, located in Morona Santiago Province, is a copper deposit owned by CRCC with an expected life cycle of the mine of 25 years from the start of production. From 2010 to the first semester of 2018 the executed investment was U.S.$23 million and the expected investment is approximately U.S.$3 billion. The San Carlos Panantza project is currently suspended due to protests by the Shuar-Achuar Nankints community based on the allegation that the project is being constructed on ancestral lands.

There are also six projects in an initial exploration stage which have been identified as having high mining potential: Cascabel, Llurimagua, Ruta del Cobre, Crangrejos, La Plata and Curipamba. As of the date of this Offering Circular, the aggregate executed investment for these projects has been U.S.$274 million.

From March of 2016 to December 31, 2017, 275 concessions were granted through a mining concession request process, with a commitment of a four-year investment totaling more than U.S.$1,299 million, with the participation of internationally recognized companies (BHP, Newcrest, Sold Gold, Aurania, Lumina, Anglo America, Lundin Gold and Hancock, among others).

On April 24, 2019, President Moreno issued decree No. 722 requiring that, within 30 days, the Minister of Energy and Non-Renewable Natural Resources update, define and issue a new Ecuadorian mining policy and the guidelines for its application and execution. On June 30, 2019, the Government officially presented the new mining policy which sets out the plans for the mining sector for the years 2019 to 2030, giving the sector a central role in the country's economic development. On August 22, 2019, the Government's *Agencia de Regulación y Control Minero* (the "Mining Control Agency" or "ARCOM") published the *Reglamento para el Control de las Exportaciones de Minerales* (the "Regulation on Mining Exports Control") which creates the mechanisms to trace the origin of extracted minerals set for exportation, to sample and verify their composition, and to authorize their exportation through the issuance of certificates. On October 7, 2019, a court issued an injunction against the Regulation on Mining Exports Control, preventing the ARCOM from issuing new certificates allowing for mining exports. Until October 23, 2019, 53 exports remained suspended due to the injunction. On October 30, 2019, a court revoked the injunction allowing for the ARCOM to resume the application of the Regulation on Mining Exports Control.

Electricity and Water

As of 2006, hydroelectric plants supplied approximately 53% of the power in Ecuador. In 2014, 2015, 2016 and 2017 hydroelectric plants supplied approximately 46%, 58%, 66% and 85% of the power in Ecuador, respectively. The increase in power supplied by hydroelectric plants is due to the development of a matrix of hydroelectric plants built throughout Ecuador. Ecuador's objective in developing this matrix is to reduce its consumption of oil through oil based generators, thereby decreasing oil imports and electric energy imports and improving energy independence. Ecuador also plans to replace household oil-based consumption (for cooking and heating as further described below) with electricity-based consumption through the hydroelectric power grid, with the goal of eliminating the need for a gas subsidy.

The Santiago hydroelectric project is located at the Morona Santiago province and has a 3,600 MW capacity expected to generate approximately an average of 15.060 GWh per year. The required investment for the Santiago hydroelectric project is U.S.$2,590 million. The Cardenillo hydroelectric project is located at the Azuay province, and has a 596 MW capacity expected to generate approximately an average of 3.356 GWh per year. The required investment for the Cardenillo hydroelectric project is U.S.$1,050 million.

The 1,500 MW Coca Codo Sinclair plant was inaugurated on November 18, 2016. It can generate an average of 8.73 GWh per year and has the potential to supply approximately 30% of the country's electricity needs. In November 2016, all eight turbines in the plant became operational, each generating 187.5 MW and a total of 1,500 MW of power, or 30% of Ecuador's electricity needs. However, due to lower-than-expected demand in 2017, the plant supplied 25% of the country's electricity needs, or 5,838 GWh. The plant is expected to reduce 3.5 million tons of carbon emissions per year and replace oil energy consumption for domestic purposes such as cooking and water heating. The plant joined the existing infrastructure of hydroelectric plants that include the 21 MW Mazar

plant in the Azuay province, the 1,075 MW Paute-Molino plant near Cuenca, the 270 MW Minas San Francisco plant, the 50 MW Quijos plant, and the 487 MW Sopladora and Cardenillo plants planned along the Paute River. On November 5, 2018, the German multinational TÜV SÜD was selected to diagnose the state of the structure and establish a viable plan of action for any necessary repairs, after a draft report by the Government found certain structural deficiencies in the project.

Many of these hydroelectric projects are financed through agreements with bilateral lenders, including China Exim Bank, which has provided U.S.$1,700 million to finance the Coca Codo Sinclair project, U.S.$571 million to finance the Sopladora hydroelectric project and U.S.$313 million to finance the Minas San Francisco hydroelectric project, the Brazilian National Economic and Social Development Bank which has provided U.S.$90.2 million to finance the Manduriacu hydroelectric power plant project near Quito, and Société Générale and Deutsche Bank which in April 2014 committed to provide together an additional U.S.$50 million to finance the Manduriacu hydroelectric power plant.

Construction on the new line of hydroelectric plants continued in 2016 including the 180 MW Delsitanisagua hydroelectric plant and the 254 MW Toachi Pilaton hydroelectric plants, and the construction of a reservoir in the Minas San Francisco project. The construction of these hydroelectric plants is due to an enhanced effort by the Government to invest in the sector. The Minas San Francisco power station was completed and inaugurated on January 15, 2019, and will benefit 220,000 families in Southern Ecuador. The Republic has engaged a new contractor to resume works on the Toachi Pilaton plant to complete construction. The project is expected to be completed in 2021.

In March 2014, former President Correa announced a new program to substitute electricity use in place of gas use. Under this program, beginning in November 2014, the Government began to sell subsidized stoves to replace gas stoves. Former President Correa stated that the use of electric stoves would enable the Government to terminate the gas subsidies in 2017 and the net effect on the Government budget will be positive due to the elimination of the subsidies, with savings of approximately U.S.$800 million a year. However, as of the date of this Offering Circular, eliminating gas subsidies for domestic use is not an immediate goal for this administration.

The Government has also increased investment in the water sector in order to alleviate flood conditions and access to potable water in various parts of the country. Ecuador's national water authority, *Secretaría de Agua*, currently has invested U.S.$1,233 million out of U.S.$1,560 million for six multi-purpose projects to improve flood control and irrigation. One of the most important projects in the water sector is the Multipropósito Chone project in the Manabí province. Financed by the Government and private partners, the U.S.$168.4 million project built a dam to alleviate the flood conditions of the region. The project also built a drain system, which serves for irrigation purposes and provides a drinking water supply for Chone city. The cost of this project includes mitigation costs of U.S.$41.7 million in the surrounding areas to compensate inhabitants in those areas.

Other water projects include: (i) the Cañar project at a cost of U.S.$360.5 million to protect approximately 40,000 hectares along the Cañar River and its adjoining streams through a system of levees, including a 24-kilometer bypass, (ii) four new bridges, (iii) a flood regulatory system and 173 km of dyke walls, (iv) the U.S.$372.7 million Daule-Vinces project that redirects water from the Daule River and transports it along a 38.73 kilometer canal to dry farmlands and (v) the Naranjal project at a cost of U.S.$181.7 million to protect approximately 44,000 hectares, seven new bridges and 158 km of dyke walls.

These flood control projects reduce the social and economic damage caused by floods in the winter season, allowing the Government to reallocate resources previously used to repair the damage to other projects. To repair the damage, the Government spent U.S.$312 million in 2012 and U.S.$415 million in 2013. The Government did not spend any funds in 2014 and 2015 due to the mild winter conditions for those years.

In 2017, the electric and water sectors contributed a total of U.S.$1,826.5 million to the GDP, an increase compared to U.S.$1,685.2 million in 2016. From 2014 through 2018, the sectors represent an average of approximately 1.6% of GDP per year. In 2018, the electric and water sectors contributed a total of U.S.$1,771.8 million to the GDP, a decrease compared to U.S.$1,826.5 million in 2017. This decrease was principally due to a 6.3% decrease of average prices compared to 2017, despite a 3.5% increase in production. For the third quarter of

2019, the electric and water sectors contributed a total of U.S.$1,376 million to the GDP, an increase compared to U.S.$1,312 million for the same period in 2018. This increase was principally due to a 7.5% increase in production by the Hidropaute Hydroelectric Power Plant, and the increase in production of other plants such as Manduriacu and San Bartolo, compared to a 5.1% decrease in year-to-year production in Coca Codo Sinclair and a 7.4% increase in thermal generation compared to the third quarter of 2018.

On October 1, 2019, CELEC EP authorized the entry into a U.S.$60.1 million line of credit with the Government of Japan, through the Japan International Cooperation Agency (the "JICA") to develop the 50 megawatt Chachimbiro geothermal project which will required an estimated U.S.$250 million investment, to be located at the Urcuquí canton of the Imbabura province. The Government is moving forward with this project as part of its long-term national policy to expand the electric power sector of Ecuador.

Telecommunications

In 2012, 22.5% of Ecuadorian households were connected to the Internet. As of May 2018, 41.2% of Ecuadorian households were connected to the Internet. While only 20 of Ecuador's 221 municipalities had access to the national fiber optic network in 2007, this number increased to 200 by 2015.

In 2014, the telecommunications sector accounted for U.S.$2,127 million of GDP. This amount decreased in 2015, when the telecommunication sector accounted for U.S.$1,984 million. In 2016, the telecommunications sector decreased again and accounted for U.S.$1,916 million. From 2014 through 2018, the telecommunications sector represented an average of approximately 1.94% of GDP per year. In 2016, the Government invested U.S.$217 million in the sector, a decrease compared to U.S.$322 million in 2015.

In 2017, the telecommunications sector accounted for U.S.$1,932 million (1.85% of the GDP), an increase of 0.84% compared to U.S.$1,916 million in 2016 (1.92% of the GDP). In 2018, the telecommunications sector accounted for U.S.$1,982 million (1.83% of the GDP), an increase of 2.6% compared to U.S.$1,932 million (1.85% of the GDP) in 2017. This increase was principally due to an increase in the average number of active mobile service lines by 2% and a 6.7% increase in the number of internet accounts from 10.6 million in 2017 to 11.3 million in 2018. For the third quarter of 2019, the mail and communications sector accounted for U.S.$1,488 million (1.83% of the GDP), an increase compared to U.S.$1,473 million (1.83% of the GDP) in the same period of 2018. This increase was principally due to an increase in active lines for mobile devices, of internet services, and an increase in courier activities driven by the increase in remittances.

In 2008, Ecuador granted Spain's Telefónica (currently operating in Ecuador as "Movistar") and Mexico's América Móvil (currently operating in Ecuador as "Claro") 15-year concession contracts to provide the country with telephone and 3G services. The concessions are extensions of previous agreements both companies had with Ecuador and are expected to generate U.S.$840 million in revenues for Ecuador over the course of the term of the concessions. In February 2015, Ecuador amended the concession to provide the country with 4G services.

In February of 2015, the National Assembly enacted the Telecommunications Law as a means to improve access to quality telecommunications services and to increase the use of information technology in rural sectors.

Other Sectors of the Economy

Agriculture

Before the discovery of petroleum fields in provinces of the Orient region in the 1970's, the agriculture sector had traditionally been the largest contributor to Ecuador's GDP. Of Ecuador's total 27.1 million hectares, 7.8 million are devoted to agriculture and livestock. Ecuador's diverse climatic conditions, varying altitudes and rich volcanic soil are well suited to tropical and subtropical agriculture. Ecuador's primary product from this sector, which is also the Republic's most significant non-oil export, is bananas. According to data from the Food and Agricultural Organization of the United Nations ("FAO"), Ecuador has represented approximately 25% to 30% of banana world exports for the ten years ending in December 31, 2013. According to FAO's preliminary results for 2018, Ecuador represented 34.6% of worldwide banana exports in 2018. Ecuador also exports significant amounts

of coffee, flowers, and cacao. The agricultural sector constituted an average of 8.24% of GDP per year for the years 2014 through 2018. In 2017, the agricultural sector represented 8.18% of GDP, a decrease compared to 8.45% in 2016. In 2018, the agricultural sector represented 8.11% of the GDP compared to 8.18% of the GDP in 2017.

Between 2014 and 2018, Ecuador's banana exports increased by 24%. The value of these exports increased by 11.0% in 2014 and 9.0% in 2015. In 2016, banana exports totaled U.S.$2,734 million, a 2.6% decrease from U.S.$2,808 million in 2015 primarily due to the decrease in quality of the banana supply during the first trimester due to climate conditions, and the oversupply of Central American bananas in the global marketplace which reduced the overall price. In 2017, banana exports totaled U.S.$3,035 million, a 11.0% increase from U.S.$2,734 million in 2016 primarily due to a 6.6% increase in the quantity exported from 6,166 thousand metric tons in 2016 to 6,573 thousand metric tons in 2017 and a 4.1% increase in the unit price per metric ton from U.S.$443.4 to U.S.$461.6. In 2018, banana exports totaled U.S.$3,196 million, a 5.3% increase from U.S.$3,035 million in 2017 primarily due to a 2.9% increase in the export volume from 6,573 thousand metric tons to 6,761 thousand metric tons, as well as due to a 2.4% increase in the unit price per metric ton from U.S.$461.6 to U.S.$472.7. In the first ten months of 2019, banana exports totaled U.S.$2,695 million, a 2.45% increase from U.S.$2,631 million in the first ten months of 2018, primarily due to a 1.7% increase in the amount exported (from 5,590 thousand metric tons to 5,686 thousand metric tons), a growth in the unit price per metric ton (0.7%) from U.S.$470.7 to U.S.$474.1. In the first eleven months of 2019, banana exports totaled U.S.$2,964 million, a 2.5% increase from U.S.$2,891 million in the first eleven months of 2018.

Ecuador also exports significant amounts of cacao. In 2016, cacao exports reached U.S.$621 million, a 10.3% decrease from 2015 primarily due to the oversupply of cacao, especially from Ivory Coast and Ghana which affected the overall price and a general decrease in the consumption of chocolate. In 2017, cacao exports reached U.S.$588 million, a 5.3% decrease from 2016 primarily due to a 24.3% decrease in the unit price per metric ton from U.S.$2,736.3 in 2016 to U.S.$2,070.3 despite the 25.1% increase in the quantity exported from 227 thousand metric tons in 2016 to 284.2 thousand metric tons in 2017. In 2018, cacao exports totaled U.S.$664 million, a 12.9% increase from U.S.$588 million in 2017 primarily due to a 3.4% increase in exports from 284 thousand metric tons to 294 thousand metric tons and a 9.2% increase in the unit price per metric ton from U.S.$2,070.3 to U.S.$2,260.9. In the first ten months of 2019, cacao exports totaled U.S.$473 million, a 4.3% decrease from U.S.$494 million in the first ten months 2018. This decrease was mainly due to a 7.9% decrease in exported volume from 217.1 to 199.9 metric tons. In the first eleven months of 2019, cacao exports totaled U.S.$557.1 million, a 3.6% decrease from U.S.$577.7 million in the first ten months 2018.

Flowers and flower products are among one of the newest, but fastest growing exports for Ecuador, making up 5.1% of Ecuador's total exports in 2017. In 2016, flower exports decreased by 2.2% to U.S.$802 million primarily due to exchange rate changes, particularly the strengthening of the U.S. dollar which reduced sales principally to the Russian market as well as political problems affecting sales to Ukraine. In 2017, flower exports increased by 9.8% from U.S.$802 million in 2016 to U.S.$881 million in 2017 primarily due to a 11.0% increase in the quantity exported from 143 thousand metric tons in 2016 to 159 thousand metric tons in 2017, despite a 1.1% decrease in the unit price per metric ton from U.S.$5,604.3 in 2016 to U.S.$5,543.5 in 2017. In 2018, flower exports totaled U.S.$852 million, a 3.4% decrease from the U.S.$881 million in 2017 primarily due to a 0.9% decrease in production, from 159 thousand metric tons to 158 thousand metric tons and a 2.5% decrease in the unit price per metric ton from U.S.$5,543.5 to U.S.$5,407.1. In the first ten months of 2019, flower exports totaled U.S.$745 million, a 1.8% increase from the U.S.$732 million in the first ten months of 2018. This increase was mainly due to a 4.1% increase in the unit price per exported metric ton from U.S.$5,422.2 to U.S.$5,643.4. In the first eleven months of 2019, flower exports totaled U.S.$807.7 million, a 1.9% increase from the U.S.$792.8 million in the first eleven months of 2018.

Fishing

Another important aspect of Ecuador's agriculture is its fishing exports. Ecuador exports significant amount of tuna and other fish, but its predominant fishing export is shrimp. Ecuador is the largest shrimp producer in the Americas, and one of the largest shrimp producers in the world. According to the FAO, over the ten years ending December 31, 2013, Ecuadorian shrimp exports have represented approximately 2% of worldwide shrimp exports.

In 2016, shrimp exports totaled U.S.$2,580 million, an increase of 13.2% from 2015. This increase was due to the recovery of the price of shrimp and to the export of shrimp of greater weight, which have a higher price. In 2017, shrimp exports totaled U.S.$3,038 million, an increase of 17.7% from 2016. This increase was due to an 18.1% increase in the quantity exported from 371 thousand metric tons in 2016 to 438 thousand metric tons in 2017, despite a 0.3% decrease in the unit price per metric ton from U.S.$6,959 in 2016 to U.S.$6,936 in 2017. In 2018, shrimp exports totaled U.S.$3,235 million, a 6.5% increase from U.S.$3,038 million in 2017 primarily due to a 15.6% increase in the quantity exported from 438 thousand metric tons to 506 thousand metric tons, despite a 7.9% decrease in the unit price per metric ton from U.S.$6,936 to U.S.$6,391. In the first ten months of 2019, shrimp exports totaled U.S.$3,208 million, a 18.6% increase from U.S.$2,704 million in the first ten months of 2018. This increase was mainly due to a 28% increase in the exported amount from 417 to 533 thousand metric tons despite a 7.3% unit price decrease per metric ton from U.S.$6,487 to U.S.$6,013. In the first eleven months of 2019, shrimp exports totaled U.S.$3,598 million, a 21.1% increase from U.S.$2,972 million in the first eleven months of 2018.

In 2016, fishing exports, other than shrimp, decreased by 5.4% from U.S.$258 million in 2015. This decrease was due to the impact of the phenomenon of El Niño in the Ecuadorian coast which reduced the supply and raised prices. In 2017, fishing exports, other than shrimp, decreased by 0.7% from U.S.$244.3 million in 2016 to U.S.$242.5 million in 2017. This decrease was due to a 6.9% decrease in the unit price per metric ton from U.S.$3,566.7 in 2016 to U.S.$3,321.7 in 2017. In 2018, fishing exports, other than shrimp, totaled U.S.$303.7 million, a 25.2% increase from U.S.$242.5 million in 2017 primarily due to a 6.3% increase in export volume from 73 thousand metric tons to 78 thousand metric tons and a 17.8% increase in the unit price per metric ton from U.S.$3,321.7 to U.S.$3,912.2. In the first ten months of 2019, fishing exports, other than shrimp, totaled U.S.$268 million, a 0.1% decrease from U.S.$268 million in the first ten months of 2018. This decrease was mainly due to a 2.7% decrease in the unit price per metric ton from U.S.$3,922 to U.S.$3,816 despite a 2.7% increase in the exported volume from 68 to 70 thousand metric tons. In the first eleven months of 2019, fishing exports, other than shrimp, totaled U.S.$289.4 million, a 1.4% increase from U.S.$285.3 million in the first eleven months of 2018.

Manufacturing

Manufacturing, excluding petroleum products, is dominated by consumer products such as food, beverages, textiles, and paper, with a concentration of imported intermediate and capital goods. The manufacturing sector contributed, 13.48%, 13.61%, 13.60%, 13.29% and 13.12% to the GDP, per year for the years 2014, 2015, 2016, 2017 and 2018, respectively.

Ecuador's main manufactured non-petroleum exports are canned seafood, automobile assembly, processed cocoa, and processed coffee. In 2016, manufacturing increased by 0.6% reaching U.S.$13,592 million. In 2017, manufacturing reached U.S.$13,866 million, an increase of 2.0% compared to U.S.$13,592 million in 2016. In 2018, manufacturing reached U.S.$14,223 million, an increase of 2.6% compared to U.S.$13,866 million in 2017.

Ecuador's membership in international trade organizations and its status as a party to various multilateral agreements such as ALADI, CELAC, and the Community of Andean Nations have contributed to the opening of new markets for the sale of Ecuadorian goods abroad and challenged domestic manufacturers to operate more competitively. On December 12, 2014, representatives from Ecuador's Ministry of Foreign Commerce signed a trade agreement with the European Union. In the first ten months of 2019, 23.2% of Ecuador's non-petroleum exports, or U.S.$2,576.4 million, were sold in the European Union, compared to 25.9%, or U.S.$2,760.5 million, for the same period in 2018. On May 15, 2019, Ecuador, together with Peru and Colombia, signed a trade agreement with the United Kingdom to preserve their mutual trade commitments should the United Kingdom exit the European Union as a result of the United Kingdom's exit from the European Union. With this trade agreement, the Republic and the United Kingdom intend to replicate their current trade commitments under the Multiparty Trade Agreement with the European Union. This agreement will not enter into force while the Multiparty Trade Agreement continues to apply to the United Kingdom. For more information, see *Balance of Payments and Foreign Trade—Foreign Trade—Trade Policy.*

Construction

In 2017, the construction sector accounted for 11.59% of GDP, compared to 11.98% of GDP in 2016. In 2015, construction activity decreased by 0.8% in real terms compared with 2014. In 2016, construction activity decreased by 5.8% in real terms compared with 2015. In 2016, U.S.$413 million worth of raw materials used for construction were imported, a decrease of 37% from the U.S.$658 million worth of raw materials used for construction imported in 2015. This decrease in construction activity was primarily due to a decrease in imports of construction materials. The steady increase in construction and the large percentage of GDP that it represents is a result of the construction activity in connection with the Republic's infrastructure projects, particularly the development of new oil fields, and the hydroelectric and flood control projects of the past seven years. In 2017, construction activity decreased by 4.4% in real terms compared with 2016. In 2018, construction activity increased by 0.6% in nominal terms compared with 2017.

Science and Technology

The Government has begun development of a very large education and research center north of Quito, known as "Yachay-the City of Knowledge" ("Yachay"). Construction of Yachay began in 2012 and is still ongoing. Yachay is an 18-square-mile planned community that is expected to house a large university and a dozen technology and innovation parks. The university opened its doors to 187 enrolled students in April 2014.

The goal of Yachay is to create a culture of scientific research in Ecuador and promote a long-term state-of-the-art site for technological research. Developers have mentioned that there will be an emphasis on nanotechnology, but add that Yachay will be multi-disciplinary. Long-term goals include the development of knowledge-based products to diversify the Ecuadorian economy and the development of new technologies for the country's well-being. Ecuador estimates that it will spend U.S.$20 billion over the course of 16 years to complete the project.

In February 2016, the Republic entered into a U.S.$198 million loan agreement with The Export-Import Bank of China to finance the first phase of Yachay.

Tourism

In 2016, 1.41 million tourists visited the country in 2016, 1.62 million in 2017 and 2.4 million in 2018. In 2016, the largest number of tourists came from Colombia accounting for 21% of tourists, followed by the United States and Peru, both in second place, accounting for 12% of tourists each. Based on the 2010 census, 2,546 foreign retirees and foreign pensioners have been residing in Ecuador for 15 years or more.

The initial 2016 annual budget allocated U.S.$36 million to the Ministry of Tourism for tourism promotional campaigns and other initiatives to promote tourism. The 2016 budget for tourism was modified to allocate a total of U.S.$22.7 million. The 2017 Budget allocated U.S.$24.2 million for tourism. The initial 2018 Budget allocated U.S.$20.16 million for tourism and was later modified to U.S.$21.50 million. The 2019 Budget allocated U.S.$18.0 million for tourism. The 2020 Budget allocates U.S.$21.3 million for tourism.

In 2018, the largest number of foreign entrants to the Republic came from Venezuela accounting for 39.4% of foreign entrants, followed by the United States and Colombia, accounting for 14.5% and 13.3% of foreign entrants, respectively. As of the first ten months of 2019, the largest number of foreign entrants came from Venezuela accounting for 27.02%of foreign entrants, followed by the United States and Colombia, accounting for 21.99% and 12.50% of foreign entrants, respectively.

Transportation

The most significant road projects in Ecuador are the Manta (Ecuador)-Manaus (Brazil) road network, linking the Pacific Ocean with the Atlantic and the Troncal-Amazonica road, which runs from north to south, linking the Colombian and Peruvian borders. The Troncal-Amazonica road was completed in early 2016 with the construction of the El Tigre bridge and a portion of the Manta-Manaus road network. The Manta-Manaus road-

network is currently under construction, although there is no definitive completion date. Both projects are not toll roads and were financed by oil revenues and financing from CAF.

In the one-year period between May 2018 and May 2019, the Government invested approximately U.S.$800 million in building, rebuilding and expanding 14 highways and five bridges, and started the Quito-Guayaquil super-highway connecting Ecuador's two most important cities. During that period, the Government granted concessions for the construction of roads and highways connecting the cities of Machala and Salinas to Guayaquil, and started the process to grant a concession over the construction of a highway connecting Jujan, Quevedo and Santo Domingo.

In February of 2013, a new international airport opened in the suburbs of Quito. The airport cost was U.S.$700 million and was financed by Quiport S.A., an international consortium led by AECON Construction Group and HAS Development Corporation. The new airport features the largest control tower and the longest runaway of any international airport in Latin America. Phase 2 of the airport, which includes the expansion of the passenger terminal, new jet bridges, and the expansion of the shopping areas was financed by Quiport S.A. and cost U.S.$70.5 million. Construction of Phase 2 of the airport was completed in 2015, and began operating as a passenger terminal in May of that year. A new road and bridge to reduce congestion from the previous single bridge and highway that led to the airport have been completed.

Construction of a subway system in Quito based on the Metro of Madrid has been under way since 2012. As of the date of this Offering Circular, approximately 90% of construction of the subway system in Quito has been completed. On March 18, 2019 President Moreno boarded a subway train to signal the beginning of the testing of the subway system. The President announced that the project is expected to be fully functioning by the end of the year. This metro system is expected to connect the northern business and residential areas of Quito to Quito's historic city center. The project will consist of 22.5 km of subway lines and 15 stations serving approximately 400,000 daily passengers. The project is budgeted to cost U.S.$2,009 million through completion and is expected to commence operations in 2019. This project was financed, in part, by a U.S.$205 million loan from the World Bank which has been increased by U.S.$230 million in November 2018, a U.S.$259 million loan from the European Investment Bank guaranteed by the Republic of Ecuador, which was increased by U.S.$44,152,000 in November 2016, a U.S.$200 million loan from the IDB, which was increased by U.S.$250 million on September 7, 2018, and a U.S.$250 million and U.S.$152.2 million loans from CAF. In February 2014, the municipality of Cuenca began construction of the *Tranvía Cuatro Ríos*, a 21.4-kilometer tram system with 27 stations. The project is planned to connect the airport and city-center to the outlying suburbs of the city. The project is estimated to cost U.S.$232 million and was financed, in part, by a 15-year loan entered into in January 2013, pursuant to the French government's Emerging Country Reserve Loan program.

Employment and Wages

The National Council on Wages sets the minimum wage for workers in the private sector on an annual basis. The monthly minimum wage for a job in the private sector increased from U.S.$354 for 2015 to U.S.$400 for 2020. Public sector employee wages are based on the wage scale determined by the Ministry of Employment. The following table shows the increase in minimum wage from 2015 to 2020.

Monthly Minimum Wage (1)
(in U.S.$)

2015	2016	2017	2018	2019	2020
354	366	375	386	394	400

Source: Ministry of Employment.
(1) *Minimum wages set annually.*

Private employee salaries received a boost with the introduction of the "Living Wage" concept into the Republic's labor laws. Enacted in December 2010, this law dictates that any company that generates a profit will distribute it amongst its employees until their total income has risen to the level of the living wage. The value of the living wage is determined annually by INEC on the basis of the cost of living and the number of family members in each family unit.

The following table shows certain labor force and employment data for the periods indicated:

Labor Force and Employment
(in thousands of persons, except percentages)

	As of December 31,					As of September 30,	
	2014	2015	2016	2017	2018	2018	2019
Total Population[1]	16,027	16,279	16,529	16,777	17,224	17,084	17,393
Labor Force [2]	11,159	11,399	11,696	11,938	12,239	12,140	12,359
Labor Force Participation [3]	7,195	7,499	7,874	8,086	8,027	8,266	8,379
Labor Force Participation Rate	64.47%	65.78%	67.32%	67.73%	65.59%	68.09%	67.80%
Employed Labor Force	6,921	7,141	7,464	7,712	7,731	7,934	7,972
Unemployed Labor Force	273	358	410	374	296	333	407
Unemployment Rate [4]	3.80%	4.77%	5.20%	4.62%	3.69%	4.03%	4.86%

Source: Based on figures from INEC as of September 2019.
(1) Total population numbers based on yearly projections from 2010 census.
(2) Refers to population above minimum working age (15 years old), irrespective of employment status.
(3) Also referred to as economically active population.
(4) As a percentage of economically active population.

In 2009, in order to reduce unemployment, the Ministry of Employment established the *Red Socio Empleo* ("Employment Partner Network"), a government agency designed to assist with employment searches and provide educational opportunities abroad for future work in Ecuador. The agency provides scholarships and allows individuals looking for work to post resumes, create their own web pages, and schedule interviews with potential employers online.

From 2014 to 2018, the unemployment rate decreased by 0.11% from 3.80% to 3.69%. The rate of unemployment increased to 5.20% as of December 31, 2016 due to an increase in the labor force participation rate as previously economic inactive members attempted to join the labor force. The rate of unemployment decreased to 4.62% as of December 31, 2017. The rate of unemployment decreased from 4.62% as of December 31, 2017 to 3.69% as of December 31, 2018.

From 2014 to 2018, the rate of individuals who were unable to obtain full-time work to receive a salary meeting the official minimum wage, or underemployment, increased from 46.69% to 54.56%. The underemployment rate increased from 48.09% in 2015 to 53.39% in 2016. In 2017 the underemployment rate decreased to 52.95% from 53.39% in 2016, but increased again in 2018 to 55.25%.

The labor force participation rate of the Ecuadorian economy increased by an aggregate of 1.12% from 2014 to 2018 and unemployment and underemployment decreased by 0.11% and increased by 8.6 %, respectively, for that same period. In 2018, the labor force participation rate decreased to 65.59% from 67.73% in 2017; the underemployment rate increased to 55.25% from 52.95% in 2017, but the unemployment rate decreased to 3.83% from 4.62% in 2017.

As of September 2019, the labor force participation rate decreased to 67.80% from 68.09% as of September 2018. As of September 2019, the underemployment rate increased to 55.99% from 55.77% as of September 2018. As of September 2019, the unemployment rate increased to 4.86% from 4.03% as of September 2018.

The following table sets forth information regarding the unemployment and underemployment rates, and real minimum wages for the periods presented:

Wage and Unemployment

	As of December 31,					As of September 30,	
	2014	2015	2016	2017	2018	2018	2019
Unemployment rate (% of economically active population)[1]	3.80	4.77	5.20	4.62	3.69	4.03	4.86
Underemployment rate (% of economically active population)[2]	46.69	48.09	53.39	52.95	55.25	55.77	55.99

Source: Based on figures from INEC as of September 2019.

(1) Refers to population at or above the minimum working age that is not employed and is willing to work (even if not actively seeking work) as a percentage of the total labor force.

(2) Refers to individuals who are unable to obtain full-time work to receive a salary meeting the official minimum wage.

Average Wages by Economic Sector[1]

(in U.S. dollars)

	As of December 31,				
	2012	2013	2014	2015	2016
Average wage	498.52	594.08	583.03	619.27	598.78
Agriculture, livestock, forestry, hunting and fishing	244.94	278.16	301.50	304.58	289.40
Petroleum and mining	675.18	1,074.47	1,106.95	981.08	992.07
Manufacturing (includes petroleum refining)	422.08	451.24	473.87	509.00	476.64
Electricity and water	654.27	621.79	509.36	742.46	834.68
Construction	387.30	416.89	448.72	485.98	463.22
Commerce	400.50	410.13	447.40	470.17	455.50
Accommodation and food services	351.97	363.68	396.46	388.04	380.30
Transportation	448.29	489.32	494.31	532.10	453.22
Telecommunications	554.78	638.95	613.58	797.13	563.28
Financial services activities	702.79	1,159.31	931.50	1,000.91	941.85
Professional, technical and administrative activities[2]	491.03	592.96	555.32	557.29	576.96
Teaching and social and health services	692.56	747.78	782.20	785.75	781.36
Public administration, defense and social security plans	865.40	977.52	1,026.66	1,072.81	1,099.32
Domestic service	264.54	269.76	316.05	320.46	322.04
Other services	322.20	419.26	341.55	341.31	351.92

(1) Based on CIIU, Rev. 4, International Uniform Industrial Classifications of Economic Activities.

(2) Includes activities from tourism operators.

Poverty

In recent years, Ecuador has seen decreases in levels of urban poverty and increases in levels of rural poverty. The urban poverty rate decreased from 16.4% to 15.3% between 2014 and 2018, while the rural poverty rate increased from 35.3% to 40.0% across the same time frame, resulting in an aggregate increase of the poverty rate from 22.5% as of December 2014 to 23.2% as of December 2018. Extreme poverty rates have also decreased from 4.5% of all urban households in 2014 to 4.1% of all urban households in 2018, and increased from 14.3% of all rural households in 2014 to 17.7% of all rural households in 2018, resulting in an aggregate increase of the extreme poverty rate from 7.7% as of December 2014 to 8.4% as of December 2018.

The urban poverty rate increased to 16.3% as of September 2019 from 14.2% as of September 2018, and the rural poverty rate decreased to 40.3% from 41.8% across the same time frame, resulting in an aggregate increase of the poverty rate from 23.0% as of September 2018 to 23.9% as of September 2019. Extreme poverty rates have also increased from 3.8% of all urban households as of September 2018 to 4.6% of all urban households as of September 2019, and decreased from 19.4% of all rural households as of September 2018 to 17.4% of all rural households as of September 2019, resulting in an aggregate decrease of the extreme poverty rate from 8.8% as of September 2018 to 8.7% as of September 2019.

As of December 2018, the urban and rural aggregate poverty and extreme poverty rates increased to 23.2% and 8.4%, from 21.5% and 7.9% as of December 2017, respectively. As of September 2019, the urban and rural aggregate poverty rate increased to 23.9% from 23.0% as of September 2018, and the extreme poverty rate decreased to 8.7% from 8.8% as of September 2018.

The Republic believes that the significant expansion of the *Bono de Desarrollo Humano* ("Human Development Bond") undertaken by the Government represents an important means of support of Ecuadorian households living in poverty. The Human Development Bond is a cash transfer program for those in the lower 40% of income distribution who are either representatives of households (preferably women who are listed as heads of households or spouses), mothers of children under the age of 16, persons above the age of 65 who are not affiliated to a social security system, or persons with 40% or more of a disability who are not affiliated to a social security system. In December 2017, President Moreno issued decree No. 253, whereby the Human Development Bond was enhanced from U.S.$50 up to U.S.$150 depending on the number and age of dependent children.

The following table shows the percentage of households in poverty for the periods indicated.

Percentage of Households in Poverty
(in percentages)

	Poverty Based on Income [1]			Extreme Poverty Based on Income [2]			Poverty Based on Lack of Basic Necessities [3]		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
December 2014	16.4	35.3	22.5	4.5	14.3	7.7	24.8	57.8	35.4
December 2015	15.7	39.3	23.3	4.4	17.0	8.5	22.0	55.8	32.9
December 2016	15.7	38.2	22.9	4.5	17.6	8.7	22.3	52.6	32.0
December 2017	13.2	39.3	21.5	3.3	17.9	7.9	20.5	56.1	31.8
December 2018	15.3	40.0	23.2	4.1	17.7	8.4	21.4	59.5	33.5
September 2018	14.2	41.8	23.0	3.8	19.4	8.8	n/a	n/a	n/a
September 2019	16.3	40.3	23.9	4.6	17.4	8.7	n/a	n/a	n/a

Source: Based on figures from INEC as of September 2019.

(1) Persons whose income is below the poverty line. As of December 2018, the poverty line, as determined by Ecuador, is U.S.$84.79/month, per person.

(2) As of December 2018, the extreme poverty line is U.S.$47.78/month per person.

(3) This number is based on information taken at the census regarding the lack of availability of basic necessities. Variables considered in this figure include literacy rates and access to potable water, sewage systems and hygienic services, electricity, running water, telephone lines, doctors and hospital beds per 1000 persons.

Social Security

The social security system in Ecuador is administered by the *Instituto Ecuatoriano de Seguridad Social* ("Ecuadorian Social Security Institute" or "IESS"), as well as by the *Instituto de Seguridad Social de las Fuerzas Armadas* and the *Instituto de Seguridad Social de la Policía Nacional* (the Social Security programs of the Armed Forces or "ISSFA" and the Ecuadorian Police Department or "ISSPOL," respectively). The Ecuadorian Social Security System is a trans-generational model where the current work force funds the benefits of those who are no longer in the work force and permits retirees to also make on-going contributions to their retirement fund.

Social security benefits are a constitutional right for all workers and their families, designed to protect the insured in case of illness, maternity, unemployment, disability, old age and death. The social security system also provides financing for workers' housing. Ecuador's social security system is financed by contributions from the Government, employers and employees. The level of employee contribution is based on an employee's income. The monthly pension is based on a percentage of the insured's average monthly earnings in his or her five highest years of earnings. The minimum monthly pension for retirees who contributed to the IESS is U.S.$193.00 for 10 years of contribution, U.S.$231.60 for 11-20 years of contribution, U.S.$270.20 for 21-30 years of contribution, U.S.$308.80 for 31-35 years, U.S.$347.40 for 36-39 years of contribution and U.S.$386.00 for 40 or more years of contribution.

Retirees benefit from the IESS system once they have left employment. As of August 31, 2019, IESS, ISSFA and ISSPOL had 409,894, 45,016 and 24,698 beneficiaries, respectively.

In 2017, total non-financial public sector contributions to social security were U.S.$5,414 million, or 5.2% of GDP, an increase from U.S.$4,741 million, or 4.7% of GDP in 2016. In 2018, total non-financial public sector contributions to social security were U.S.$5,512 million, or 5.2% of GDP, an increase from U.S.$5,414 million, or 5.2% of GDP in 2017. In the first eight months of 2019, total non-financial public sector contributions to social security were U.S.$3,817 million, an increase from U.S.$3,741 million in the first eight months of 2018. This increase was primarily due to an increase in coverage and contributions as a result of policies implemented by the Ministry of Labor as well as the IESS, such as certain reliefs of employer fines and interests. In the first nine months of 2019, total non-financial public sector contributions to social security were U.S.$4,277 million, an increase from U.S.$4,181 million in the first nine months of 2018. In the first ten months of 2019, total non-financial public sector contributions to social security were U.S.$4,920.3 million, an increase from U.S.$4,626.8 million in the first ten months of 2018.

In 2018, IESS's beneficiaries included 3.31 million affiliates, 0.48 million pensioners, 4.60 million dependents, 1.18 million people covered through rural social security and 0.01 million people that receive benefits related to work related risks. For 2018, IESS's expenditures totaled approximately U.S.$3.39 billion.

Under Article 372 of the 2008 Constitution, the *Banco del Instituto Ecuatoriano de Seguridad Social* ("BIESS") is responsible for channeling investments and managing public pension funds. Resolution JB-2009-1406 enacted in July 2009 sets the parameters for the types of investments allowed. Investments in real estate are only allowed in the long-term (over five years), investments in trusts are not allowed in the short-term (less than three years), and investments in public sector securities cannot exceed 75% of the market value of the fund. A risk committee must approve all investments. Investments must be rated by an approved rating agency, and no investment may be rated lower than specific thresholds set for that type of investment, as determined by the risk committee. As of December 31, 2018, BIESS was the largest holder of Government securities, with 39.1% of its portfolio investment, or U.S.$7,383 million, in Government holdings. As of October 31, 2019, BIESS was still the largest holder of Government securities, with 39% of its portfolio investment, or U.S.$7,858.9 million, in Government holdings.

The primary functions of the BIESS are, among others, the provision of different financial services such as mortgages, pledge-backed loans and unsecured credits. Additional services include portfolio re-discount operations for financial institutions and other financial services in favor of retirees and other affiliates of the IESS by means of direct operations or through the national financial system. Additional bank functions are investment in

infrastructure projects that generate financial profitability, added value and new sources of employment, as well as investments in fixed and variable income securities through the primary and secondary markets.

On October 21, 2016, the *Ley de Fortalecimiento a los Regímenes Especiales de Seguridad Social de las Fuerzas Armadas y de la Policía Nacional* (the "Law to Strengthen the Social Security System of the Armed Forces and National Police") was published and became effective. The law is intended to make the national system of social security more sustainable over time by making adjustments and improvements to the pensions of public servants from Ecuador's Armed Forces and National Police.

On June 18, 2018, the Law Reforming the Social Security Law was published and became effective. The law increases social security payments to retirees who belong to the Rural Social Security from U.S.$65 to U.S.$100. It is retroactive from January 1, 2018. The law also provides for automatic increases consistent with those of the minimum wage.

In May 2018, the Office of the Comptroller General announced that it would carry out 27 special audits to verify compliance by the IESS with the recommendations of previous exams, audit the administrative management of main IESS funds (e.g. reserve funds, mortgage liens, farmer social insurance, health insurance, IBM) and to make an actuarial examination. On December 7, 2018, the Office of the Comptroller General issued a draft report of 19 out of 44 completed audits on the IESS for the period from January 1, 2013 to May 31, 2018, finding, among others, that hundreds of employees of the IESS were deducted approximately U.S.$378,932 from their salaries since 2015, money which was divested to several political parties; that in some cases moneys assigned to a particular account within the IESS did not reach in their entire amounts their intended units, causing deficits within those units; that approximately U.S.$18 million generated in interests for penalties assessed to employers for late registration of employees in the IESS never reached the respective beneficiary employees; that different formulas were used to calculate administrative expenses for purposes of paying reserve funds; that moneys were returned to beneficiaries that did not have the right to those funds, and no actions were taken to right those mistakes; and that hundreds of people were hired throughout the audited period without documentation and justification. These audits are part of annual examinations that the Office of the Comptroller General conducts within its authority to carry out special audits to verify certain limited aspects of governmental activities.

As a result of this draft report, as of mid-February, approximately U.S.$1.2 million in administrative penalties had been pre-established, 60 public officials had been dismissed and 9 reports establishing potential criminal liability of officials had been sent to the corresponding prosecutor's office.

Education

In 2011, the Government implemented the *Ley Orgánica de Educación Intercultural* (the "Intercultural Education Law"). The law created a standardized curriculum for all high schools, consolidated school systems to eliminate single-teacher schools, created a stringent evaluation system for teachers and schools, and launched a nation-wide literacy program. Under the reform, students were to receive free medical attention, school lunches, and uniforms.

The 2016 annual budget allocated U.S.$4.9 billion for Government education and other education initiatives. The 2016 budget for education was modified to U.S.$5.0 billion while being used as the provisional budget for 2017. The 2018 Budget initially allocated U.S.$5,718.51 million for Government education and other education initiatives and was later modified to U.S.$5,462.98 million. Education initiatives include the construction of Yachay (see "*The Ecuadorian Economy—Other Sectors of the Economy—Science and Technology*"), the use of outside consultants to improve English education, the granting of scholarships to exceptional students for study in elite foreign universities, the inspection of Ecuador's universities to ensure that they meet a high standard quality, and various other projects administered by individual municipalities. The 2019 Budget allocated U.S.$5,345.7 million for Government education and other education initiatives. The 2020 Budget allocates U.S.$5,530.1 million for Government education and other education initiatives.

Education is mandatory in Ecuador until the age of 14. The literacy rate for adults over 15 years of age was 94.2% in 2015, and has been above 90% since 2004.

Health

The initial 2016 annual budget allocated U.S.$2.3 billion for Ecuador's health sector. The 2016 budget for health was modified to U.S.$2.4 billion while being used as the provisional budget for 2017. The 2018 Budget initially allocated U.S.$3,573.12 million for Ecuador's health sector and was later modified to U.S.$3,158.81 million. The 2019 Budget allocated U.S.$3,138.5 million for Ecuador's health sector which was later modified to U.S.$3,018.3 million. The 2020 Budget allocates U.S.$3,003.7 million for Ecuador's health sector. Recent reforms include a mandatory increase in hours and pay for medical professionals, and the creation of mobile clinics intended to ensure vaccinations in the most remote areas of the country. The Government has also signed various agreements with private companies to produce generic drugs in the country.

LEGAL PROCEEDINGS

The Republic is involved in certain litigation and administrative arbitration proceedings described below. Some of the proceedings described below are conducted pursuant to the mandatory arbitration provisions contained in the U.S.-Ecuador Bilateral Investment Treaty and the Canada-Ecuador Bilateral Investment Treaty, as applicable. These treaties aim to protect investors of both nations in the other country. An unfavorable resolution of some of these proceedings could have a material adverse effect on the Republic.

Chevron

In 2006, Chevron brought arbitration proceedings against the Republic under the UNCITRAL Rules alleging the Republic's breach under certain "denial of justice" provisions under the U.S.-Ecuador Bilateral Investment Treaty. In August 2011, the arbitral tribunal established that Ecuador had breached such treaty and should pay Chevron U.S.$96 million plus compound interest calculated from September 1, 2011 until the date of payment. On July 27, 2012, Chevron filed a claim before the District Court of the District of Columbia (Washington, DC) seeking recognition and enforcement of the arbitral award. On June 6, 2013 the District Court confirmed the award in favor of Chevron.

On October 9, 2015, the United States Court of Appeals for the District of Columbia Circuit affirmed the District Court decision. Accordingly, the arbitral award granted to Chevron became due and payable in the United States with the same force and effect as a judgment in a judicial action. The total amount due under the award, (U.S.$96.4 million plus U.S.$16.4 million in interest) was paid by Ecuador to Chevron in satisfaction of the arbitral award.

On a separate matter, in September 2009, Chevron filed an UNCITRAL arbitration claim against Ecuador for an undetermined amount. The claim seeks indemnification for claims brought by indigenous communities in Lago Agrio, Ecuador, against Chevron for environmental damages. In 2011, an Ecuadorian court ruled in favor of the Lago Agrio community, ordering Chevron to pay U.S.$19 billion in damages. This amount was reduced to U.S.$9.5 billion in November 2013. Chevron argues that Ecuador and Petroecuador should be solely responsible for any judgments arising from claims resulting from the Lago Agrio litigation because of "hold harmless" provisions of a 1995 settlement agreement ("1995 Settlement") between Chevron and the Republic and also claims breach of the 1995 Settlement and the U.S.-Ecuador Bilateral Investment Treaty. On the other hand, Ecuador argues that it has not assumed any obligation to indemnify, protect, or defend Chevron from third party claims.

The arbitration tribunal has divided the merits of the case into 3 tracks. Track 1 will decide issues relating to the 1995 Settlement and the obligation of Ecuador to indemnify Chevron from third party claims. Track 2 will decide issues relating to denial of justice claims by Chevron and the alleged breach of the U.S.-Ecuador Bilateral Investment Treaty. Once Tracks 1 and 2 have been decided on the merits, Track 3 will determine any monetary damages that resulted from the alleged breaches and will assess the monetary value of the environmental damage in the Lago Agrio community. On September 17, 2013 the arbitral tribunal issued a partial Track 1 award (Track 1A) where it agreed with the Republic in that the 1995 Settlement did not preclude the Lago Agrio plaintiffs from asserting claims "in respect of their own individual rights."

On March 12, 2015, the arbitral tribunal issued a second Track 1 (Track 1B) decision in favor of Ecuador, holding that the initial pleading brought by the Lago Agro plaintiffs qualified as an "individual rights" claim not barred by the 1995 Settlement.

On August 30, 2018, the tribunal issued a second partial award on Track 2 declaring that Ecuador is liable for denial of justice under the standards of fair and equitable treatment under the U.S.-Ecuador Bilateral Investment Treaty and under customary international law, and declaring that Ecuador is liable to make full reparation to Chevron. The arbitral tribunal is expected to make a determination regarding the amounts of any financial compensation owed by the Republic to Chevron by the end of the year 2021.

On December 10, 2018, Ecuador filed a request to set aside the second partial award on Track 2 before the District Court of The Hague, in the Netherlands. As of the date of this Offering Circular, the court has not yet made

a ruling on this request. No reparation or compensation amounts have been discussed yet. These issues are assigned for Track 3 of the arbitration.

On April 26, 2019, the arbitral tribunal issued Procedural Order No. 56, in which the tribunal established the procedural calendar for Track 3 of the arbitration. Pursuant to such calendar: (i) on May 31, 2019, Chevron was scheduled to present its memorial on damages; (ii) on February 20, 2020, Ecuador must present its response memorial to Chevron's memorial on damages; (iii) on September 18, 2020, Chevron must present its reply memorial on damages; (iv) on January 8, 2021, Ecuador must present its sur-reply memorial on damages. The arbitral tribunal has established that the hearing on Track 3 of the arbitration shall take place from March 15 to March 28, 2021.

On a separate matter, in October of 2013, a provincial court of Ecuador ordered the *Instituto Ecuatoriano de la Propiedad Intelectual* (the "Ecuadorian Institute for Intellectual Property" or "IEPI") to place an embargo on 50 trademarks of Chevron in Ecuador as a result of the Ecuadorian verdict against Chevron in the Lago Agrio case. According to IEPI, the embargo was placed in order to guarantee the payment of the verdict amount by redirecting the revenues from the trademarks to Ecuador, as opposed to Chevron.

Windfall Profits Tax Litigation

A number of foreign oil companies have sued Ecuador in connection with the application of Ecuadorian law 42-2006, which levied a 99% tax on the windfall profits of a number of foreign oil companies. For a description of the windfall profits tax, see "*The Ecuadorian Economy—Renegotiation of Oil Field Contracts*." As a result of the implementation of the windfall profits tax law, Ecuador is a defendant in the following arbitration proceedings:

Perenco Ecuador Limited

On April 30, 2008, Perenco Ecuador Limited ("Perenco") filed an ICSID arbitration claim against Ecuador seeking compensation of U.S.$440 million plus costs and interest for alleged changes to its contracts for the development of blocks 7 and 21 in Ecuador imposed by Ecuadorian law 42-2006. The amount of the claim remains subject to adjustment. Perenco argued that law 42-2006 modified the participation of Perenco under contracts for the development of blocks 7 and 21 in Ecuador and that the unilateral modification of the contracts resulted in an expropriation of the blocks that Perenco was operating. On September 12, 2014, the tribunal decided the claim in favor of Perenco, finding the Republic liable for breach of contract and the bilateral investment treaty between the Republic and the Republic of France, pending parties' submissions on damages.

On December 5, 2011, Ecuador filed two counterclaims against Perenco for environmental damage and failure to maintain the facilities of blocks 7 and 21, in an approximate amount of U.S.$2 billion. On August 11, 2015, in an interim decision, the tribunal held that contamination exists in blocks 7 and 21. However, the tribunal held that a third environmental expert is needed in order to determine if the contamination was caused by Perenco. On November 25, 2016, the independent environmental expert appointed by the tribunal visited blocks 7 and 21. The Republic received the expert's report on December 19, 2018.

After parties' submissions commenting on the expert report and a hearing held on March 11 and 12, 2019, in which the expert was cross-examined and final allegations with regard to the counterclaims were argued, on September 27, 2019, the tribunal ordered the Republic to pay Perenco U.S.$448.8 million in damages on the principal claim, and U.S.$23 million as contribution to Perenco's legal fees and costs, plus interest until full payment, and at the same time ordered Perenco to pay the Republic U.S.$54.4 million in compensation for environmental damages, and U.S.$6.3 million as contribution to the Republic's legal fees and costs, plus interest until full payment. Both parties were ordered to cover the tribunal's costs and independent expert fees.

On October 2, 2019, the Republic requested before ICSID the suspension of the tribunal's December 27, 2019, decision, as well as its annulment. On November 18, 2019, an ad-hoc arbitral committee was formed to decide on the Republic's request. As of the date of this Offering Circular, the ad-hoc arbitral committee has not issued a decision.

William and Roberto Isaías Dassum

In 2009, Ecuador commenced an action against William and Roberto Isaias, who were the President and Executive Vice-President, respectively, of Filanbanco S.A, Ecuador's largest bank at the time of its bankruptcy in 2001. Arguing before a Florida circuit court, Ecuador alleged that the defendants embezzled funds and forged financial statements thereby resulting in losses suffered by the *Agencia de Garantía de Depósitos* (the "Deposit Guarantee Agency" or "AGD"), in the amount of U.S.$661.5 million. On May 30, 2013, the trial court granted summary judgment against Ecuador.

On December 27, 2017, the District Court of Appeals for the Third District of Florida reversed the October 15, 2015 decision in favor of William and Roberto Isaias. The case was remanded to the trial court to determine damages in favor of Ecuador. On May 17, 2019, the trial court held a hearing where it established the procedural calendar for the damages phase. Pursuant to said calendar: (i) the parties must produce their lists of witnesses and experts by January 31, 2020, and (ii) the hearings phase will begin on June 8, 2020, and is scheduled to last between 4 and 6 weeks.

Merck Sharp & Dohme

On February 2, 2011, Merck Sharp & Dohme ("Merck") commenced an UNCITRAL arbitration against Ecuador alleging denial of justice for not having provided judicial guarantees in Ecuadorian court proceedings which returned a judgement against Merck by the Ecuadorian company NIFA S.A. (currently "PROPHAR, S.A.") in violation of the U.S.-Ecuador Bilateral Investment Treaty.

On August 4, 2016, the National Court of Justice ordered Merck to pay U.S.$42 million with respect to the Ecuadorian judgment initiated against Merck by NIFA S.A. On September 6, 2016, the arbitral tribunal ordered that Ecuador ensure that all proceedings and actions for the enforcement of that judgment be suspended pending the delivery by the tribunal of its final award. On September 16, 2016, the National Court of Justice enforcement judge suspended the enforcement proceeding pending the arbitral tribunal's final award. This decision was constitutionally challenged by PROPHAR, S.A. On June 21, 2017, the Ecuadorian Constitutional Court granted the petition and set aside the suspension order. Subsequently, the parties reached an agreement to settle the constitutional claim.

The arbitral tribunal held a hearing on October 12, 2016. On January 25, 2018, the arbitral tribunal issued a final partial award in which it held Ecuador liable for denial of justice and violation of fair and equitable treatment. As a result, the arbitral tribunal initiated a new phase for the determination of damages. On February 21, 2018, the arbitral tribunal issued an order providing the schedule for the damages phase. On April 24, 2019, a hearing on damages took place in the city of London. As of the date of this Offering Circular, the tribunal has not ruled on damages.

Hutchison Port Investments Ltd

In 2012, the Manta Port Authority (the "APM") represented by Ecuador's Attorney General (*Procuraduría General del Estado*) commenced an arbitration proceeding against Hutchison Port Investments Ltd. and Hutchison Port Holdings ("Hutchison"), in the *Centro de Arbitraje y Mediación de la Cámara de Comercio de Quito* ("Center for Arbitration and Mediation of Quito Chamber of Commerce") to recover U.S.$141 million in damages. APM alleges that it suffered these damages as a result of Hutchison's unilateral abandonment of the facilities and other defaults under a concession agreement to operate the port at Manta. Hearings took place from February 9 to 13, 2015 in Panama. On November 30, 2015, the arbitration tribunal decided in favor of Ecuador for an amount of U.S.$30 million.

The arbitral tribunal awarded APM U.S.$34.9 million for consequential damages and lost profits. After deduction of the contractual guarantee entered into by APM, the indemnification amount totaled U.S.$27.2 million (before adjusting current value). The tribunal also ordered the compensation of 50% of the arbitral costs to APM to be paid within thirty days from notification of the arbitral award.

On March 16, 2017, before the *Sala Cuarta de la Corte Suprema de Justicia* APM presented its opposition to the annulment petition by Hutchison in Panama on December 30, 2015 against the award in favor of APM. On

March 15, 2019, the Supreme Court of Panama partially annulled the award in favor of APM. Although the amount of the award was not affected by the decision, the entities Hutchison Investments Limited and Hutchison Port Holdings Limited were excluded from the award. On March 21, 2019, Ecuador's Attorney General, in representation of APM, presented a request for clarification of the decision, which was denied on April 12, 2019. As of the date of this offering circular, enforcement of the award is being pursued both in the British Virgin Islands and in Ecuador.

Coca Codo Sinclair

From 2012 to March 2017, CELEC EP – Unidad de Negocio Coca Codo Sinclair ("CCS"), an Ecuadorian public enterprise and Sinohydro Corporation were heard by the Junta Combinada de Disputas ("JCD" or "Combined Dispute Board"), a pre-arbitral forum created under the engineering, procurement and construction contract (the "EPC Contract") for the construction of the Coca Codo Sinclair hydroelectric plant. The amount of the claims is yet to be determined. Both parties presented, among others, claims relating to time extensions under the EPC Contract, declined payroll/tax return payments, supposed changes in tax laws, costs for changes in infrastructure design, indirect effects of the non-execution of a potential agreement between China and Ecuador relating to double taxation, and non-compliance with the national participation quota established in the EPC Contract for subcontracting of works. Synohydro Corporation has sought tax refunds for capital exit taxes, additional costs for engineering designs and a time extension for supposed extreme subsoil geological conditions. The JCD has issued 22 mandatory decisions. Under the EPC Contract, the parties may definitively resolve the underlying disputes through arbitration before the International Chamber of Commerce by sending a notification of disagreement within 20 days after the JCD's decisions. Both parties have stated their disagreement with the JCD's 22 decisions, thus preserving their right to commence arbitral proceedings with respect to these disputes. As of the date of this Offering Circular, the parties have not commenced arbitral proceedings with respect to these disputes.

In April 2019, Sinohydro Corporation notified CCS of the existence of Dispute 2019-001, related to the amounts charged to CCS by ARCONEL for the unavailability of the Coca Codo Sinclair hydroelectric plant. Upon Sinohydro Corporation’s request, a new JCD was formed. As of the date of this Offering Circular, a calendar of the proceedings has not been established.

Caribbean Financial International Corp v. Ecudos – Corporación Azucarera Ecuatoriana Coázucar

On July 11, 2012, Caribbean Financial International ("CFI") filed a breach of contract claim against ECUDOS S.A. in the *Juzgado Duodécimo de Circuito Civil del Primer Circuito Judicial de Panamá* (the "Twelfth Court of the Civil Circuit in the First Circuit of Panama") for an amount of U.S.$65.9 million plus costs, expenses and interests. The contract was originally entered into by CFI and TRAINSAINER S.A., a company absorbed by ECUDOS S.A. through merger (the "CFI-TRAINSAINER contract"). The CFI-TRAINSAINER contract called for CFI's sale to TRAINSAINER S.A of all of its stock capital in DURCHES S.A. and ECUDOS S.A. Through the CFI-TRAINSAINER contract, CFI granted TRAINSAINER S.A. a credit of U.S.$60 million for a term of ten years. In turn, on October 29, 2000, TRAINSAINER S.A. issued a promissory note in favor of CFI due on October 27, 2010. The CFI-TRAINSAINER contract provided for the filing of a lawsuit if the payment became overdue. The Attorney General intervened as a result of an indemnity obligation in the CFI-TRAINSAINER contract. ECUDOS S.A. filed a response to the claim denying CFI's allegations and challenging the contract. On April 18, 2018, the Twelfth Court of the Civil Circuit in the First Circuit of Panama held Ecudos liable for U.S.$106,183, 608, including costs and expenses. On May 31, 2018, Ecudos appealed the decision of the Twelfth Court of the Civil Circuit in the First Circuit of Panama. On June 8, 2018, CFI presented its brief opposing Ecudos' appeal. The *Primer Tribunal Superior del Primer Distrito Judicial de Panamá* (the "First Superior Court of the First Judicial District of Panama") is reviewing the appeal.

Ecudos – Corporación Azucarera Ecuatoriana Coazúcar v. Caribbean Financial International Corporation – CFI

On August 8, 2012, ECUDOS S.A. filed an ordinary claim for declaratory judgement of large amount (*Demanda Ordinaria Declarativa de Mayor Cuantía*) in Panama against CFI seeking annulment of the CFI-TRAINSAINER S.A. contract as well as of the promissory note in favor of CFI. As it is an annulment lawsuit, the amount of the lawsuit is undetermined. Admission of the evidence brought by the parties is pending. After

consideration of the admissibility of the evidence, both parties will present their pleas. A decision on the admissibility of the evidence is pending.

Gente Oil

On April 13, 2018 Ecuador was notified of arbitral proceedings from Gente Oil Ecuador Pte. Ltd. ("Gente Oil"). In the notification, Gente Oil alleges that Ecuador breached the contract for the rendering of services for the exploration and exploitation of Hydrocarbons with respect to crude oil in the Singue block of the Ecuadorian Amazon region. Gente Oil claims that Ecuador breached the contract by imposing its negotiation, ignoring the tariff agreed, not acting in good faith and preventing Gente Oil from performing its obligations under the contract. Pursuant to this contract, the arbitral proceedings will be conducted under the UNCITRAL Rules and administered under the Permanent Court of Arbitration in The Hague. The amount of the claim has not been determined.

Daniel Penades

On January 30, 2015, Daniel Penades issued proceedings against the Republic of Ecuador in respect of an alleged U.S.$455,000 holding of 2030 Notes. The Republic was served with a notification of the claim on September 16, 2015. On January 15, 2016, the Republic filed a motion to dismiss Mr. Penades's complaint. On September 30, 2016, the United States District Court for the Southern District of New York granted the Republic's motion to dismiss.

On May 21, 2018, Mr. Penades filed again against the Republic in the United District Court for the Southern District of New York concerning his alleged U.S.$455,000 holding of 2030 Notes and a U.S.$50,000 holding of 2012 Notes. In this new complaint, Mr. Penades demands for payment of full principal and accrued interests under the indentures of both his alleged holdings of 2030 Notes and 2012 Notes, and demands that the court order such interest payments be made pro rata with payments made under subsequent bonds issued by the Republic. On August 8, 2019, the court granted the Republic's motion to dismiss the Amended Complaint. Accordingly the case is closed.

GLP

This proceeding involves an investment arbitration initiated by Consorcio GLP against the Republic under the Bilateral Investment Treaty between Ecuador and Spain. In May 2018, a hearing on the question of jurisdiction was held. On December 21, 2018, the tribunal decided on the question of jurisdiction by denying Ecuador's motion and affirming its jurisdiction over the merits of the case, and ordered Ecuador to pay the plaintiff U.S.$245,358.4 and EUR239,229.2 in costs and fees. On February 28, 2019, the tribunal established the schedule for the proceedings on the merits. On June 28, 2019, the plaintiff filed its brief on the merits of its claims and asked the court to order the Republic to pay the plaintiff U.S.$48,315,958.33 in damages. The tribunal set hearings on the merits of the case for May 18 to 22, 2020.

Notifications under Bilateral Investment Treaties

AECON

On January 19, 2018, Ecuador was notified of a controversy by AECON founded on Articles II, VIII, XII and XIII of the bilateral investment treaty between Ecuador and Canada. AECON claims that Ecuador has breached the guarantee of legal stability granted under certain investment agreement and, consequently, it has breached the fair and equal treatment standard in the relevant bilateral investment treaty causing the expropriation of AECON's investment. The amount of the claim is approximately U.S.$29 million. As of the date of this Offering Circular, the arbitral tribunal is being formed.

AMDOCS

On April 17, 2018, Ecuador was notified of a controversy by AMDOCS founded on Articles 2, 5 and 8 of the bilateral investment treaty between Ecuador and the United Kingdom. The AMDOCS claims arise from a contract dispute in a project with CNT in which CNT alleged a breach of its contract by AMDOCS. Such alleged

breach caused the early termination of the main and ancillary agreements followed by judicial proceedings. AMDOCS claims a breach of the fair and equal treatment standard under the bilateral investment treaty and expropriation of its investments in Ecuador. The amount of the claim has not been determined and the parties are in direct negotiations.

PDVSA

On May 15, 2018, Ecuador was notified by PDVSA of alleged breaches of Articles 3 and 4 of the bilateral investment treaty between Ecuador and Venezuela. Ecuador does not recognize these notifications as notifications of existence of a controversy as these notifications do not identify the investments, agreements, contracts or rights that could potentially give rise to a controversy under the bilateral investment treaty. The notifications also fail to identify which actions taken by Ecuador could have created the alleged controversy under the treaty. PDVSA claims that there has been a breach of the fair and equal treatment, full protection and expropriation rights under the bilateral investment treaty. Ecuador does not consider that the period for direct negotiations has begun. These notifications do not indicate an amount of the claims.

WORLEYPARSONS

On February 16, 2018, WorleyParsons informed Ecuador of the existence of a controversy founded on Articles II(1), II(3), II(3)(a), II(3)(b), II(3)(c) and III(1) of the bilateral investment treaty between Ecuador and the United States of America. Ecuador requested further detail on the nature of the allegations in the notification. On March 19, 2018, WorleyParsons informed Ecuador that the controversy is related to its contracts with Petroecuador and the *Compañía de Economía Mixta Refinería del Pacífico RDP-CEM* (the "Mixed Economy Pacific Refinery Company") and to certain actions of the Office of the Comptroller General and the Office of the Prosecutor General. Although the notification from WorleyParsons did not include details of the substance of the dispute, following the request of the Attorney General, WorleyParsons identified the following contracts under which the disputes would have arisen: (i) Contract 201130 for the Audit and Management of the Rehabilitation Program for the Esmeraldas Refinery, under which WorleyParsons claims that Petroecuador has an outstanding debt of U.S.$36.2 million in order to proceed with the liquidation and termination of the contract; (ii) the Project Management Consultancy (PMC) Support Service Agreement with the Mixed Economy Pacific Refinery Company for the Pacific Refinery project, under which WorleyParsons claims that there is an outstanding debt of U.S.$35.4 million; (iii) contracts for the audit of certain construction works in the Liquid Natural Gas Plant of Bajo Alto (El Oro), under which WorleyParsons claims an outstanding debt of U.S.$5.9 million; and (iv) LAB 2014187 Contract executed with PetroEcuador for the production of "Studies for the Project of Reengineering and Construction of a Drainage System for the Liquid Effluents of the Esmeraldas Refinery", under which WorleyParsons claims that there is an outstanding debt of U.S.$3.2 million. Ecuador considers that the six-month consultation period under the bilateral investment treaty between Ecuador and the United States of America began on March 19, 2018. On February 14, 2019, WorleyParsons notified the Republic it had initiated investment arbitration proceedings against the Republic under the Bilateral Investment Treaty between Ecuador and the United States based on the foregoing allegations. The amount of the claim is approximately U.S.$83 million. WorleyParsons further requested the arbitral tribunal to order the Republic to remove the claims issued by the Office of the Comptroller General against WorleyParsons (as described below), and to order the Republic's Internal Revenue Service to remove an alleged U.S.$115 million tax assessment against WorleyParsons. As of the date of this Offering Circular, the members of the tribunal have been designated and the parties are currently expecting to be notified with the initial procedural order from the tribunal.

Ecuador and WorleyParsons have had several meetings in which WorleyParsons has stated its position regarding the actions of the Office of the Comptroller General and the status of its contracts with Petroecuador and with the Mixed Economy Pacific Refinery Company. According to the information available at the Office of the Attorney General, the Office of the Comptroller General has performed several audits of the contracts executed with WorleyParsons where certain irregularities in the procurement processes and in the execution of such contracts by WorleyParsons were found. The Office of the Comptroller General has issued several claims (*Glosas de Determination Civil Culposa*) against WorleyParsons, following those audits, for a total amount of approximately U.S.$120 million.

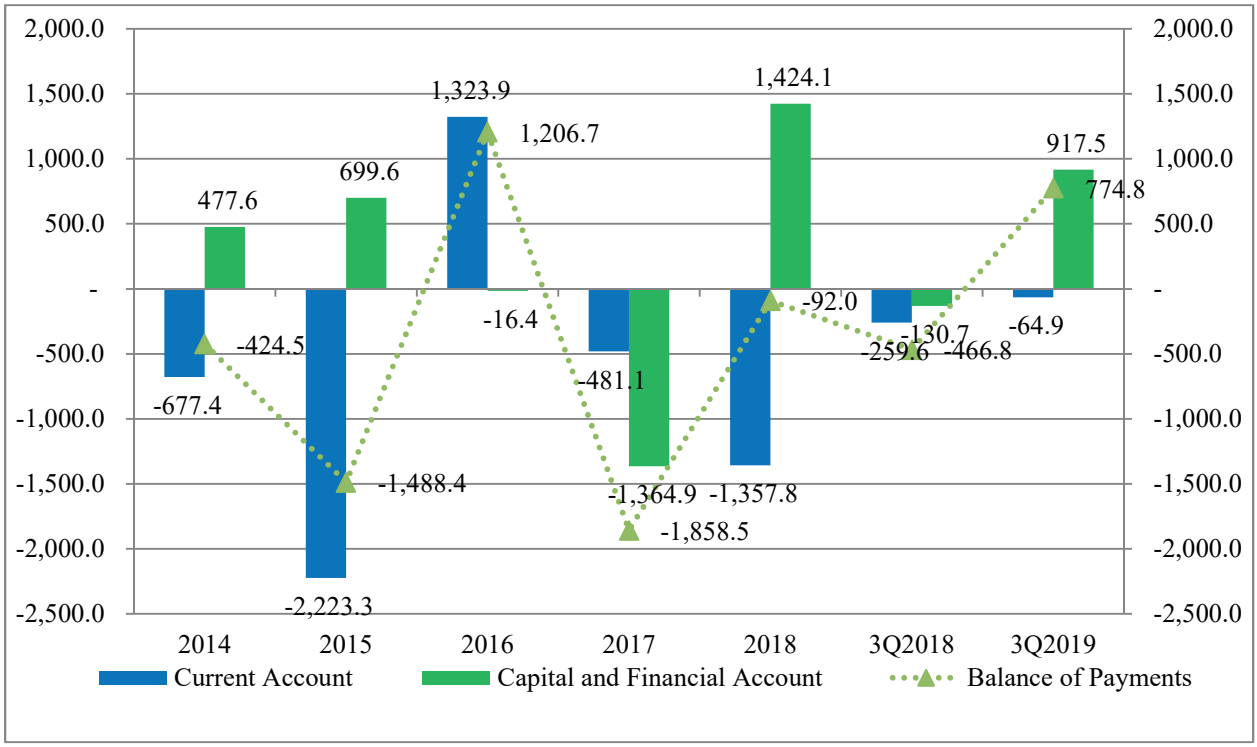
INDRA

On February 20, 2018, Ecuador was notified of a controversy from Indra Sistemas, S.A. ("INDRA") founded on the fair and equitable treatment and indirect expropriation provisions and on the protection and effective measures principles under the clause of most favored nation of the bilateral investment treaty between Ecuador and the Kingdom of Spain. The controversy arose from a contract for the implementation of a judicial information system executed between INDRA and the Ecuadorian Judicial Council on December 22, 2011. The final product was delivered by INDRA on June 7, 2013 and the Judicial Council paid the full contract price of U.S.$23,760,000. The Office of the Comptroller General audited the contract and issued an administrative claim against INDRA for the full amount of $23,760,000. This administrative claim was followed by 3 judicial proceedings: (i) an appeal to the administrative claim filed by an Ecuadorian public servant that was named as joint and severally liable together with INDRA; (ii) an appeal to the ruling that denied the revision of that administrative claim filed by INDRA; and (iii) a damages trial initiated by the Judicial Council against INDRA for an amount of U.S.$32 million. The first proceeding concluded with the confirmation of the administrative claim and has been further appealed. The remaining two proceedings are still in process and a decision has not been made. INDRA also argues that its rights under the bilateral investment treaty in these proceedings have been breached. The notification received from INDRA indicates a claim of at least U.S.$32 million.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

Given Ecuador's dollarized economy, the balance of payments is important in determining money supply. A positive balance of payments would increase money supply and a negative balance of payments would decrease money supply. Between 2014 and 2018, Ecuador experienced fluctuations between balance of payments deficits and surpluses. While there was a surplus in 2016, there were deficits in 2014, 2015, 2017 and 2018. For the third quarter of 2019 there was a balance of payment surplus of U.S.$774.8 million, compared to the balance of payment deficit of U.S.$466.8 for the same period in 2018.



Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the Third Quarter of 2019. Amounts in U.S.$ millions.

In 2014, Ecuador had a balance of payment deficit of U.S.$424.5 million as a result of a decrease in the capital and financial account. The capital and financial account decreased from U.S.$2,935.5 million in 2013 to U.S.$477.6 million in 2014 as a result of a decrease in investment for that year. However, the current account improved from a deficit of U.S.$944.3 million in 2013 to a deficit of U.S.$677.4 million in 2014. This improvement was due to the improvement in the trade balance from a deficit of U.S.$528.6 million in 2013 to a deficit of U.S.$63.5 million in 2014, which was due to an increase in non-petroleum exports in 2014, particularly banana and shrimp exports.

In 2015, Ecuador's balance of payment deficit grew to U.S.$1,488.4 million as a result of a decrease in the current account. The current account decreased from a deficit of U.S.$677.5 million in 2014 to a deficit of U.S.$2,223.3 million in 2015. The expansion of the deficit in the current account was due to an increase in the deficit in the balance of trade from U.S.$63.5 million in 2014 to a deficit of U.S.$1,649.8 in 2015. The increase in the deficit was the result of a decline in the price of oil.

In 2016, there was a balance of payments surplus of U.S.$1,206.7 million, an increase compared to the U.S.$1,488.4 million deficit in 2015. The balance of payments surplus was due to an increase in the current account. The current account recorded a deficit of U.S.$2,223.3 million in 2015 as compared to a surplus of U.S.$1,323.9 million in 2016. The surplus in the current account was principally due to an improvement in the trade balance from a deficit of U.S.$1,649.8 million in 2015 to a surplus of U.S.$1,567.3 million in 2016, which resulted from a decrease in imports particularly with respect to fuel and lubricants as well as capital goods.

In 2017, there was a balance of payments deficit of U.S.$1,858.5 million, as compared to the U.S.$1,206.7 million balance of payments surplus in 2016. This deficit in 2017 in the balance of payments was due to a deficit of U.S.$481.1 million in the current account and a deficit of U.S.$1,433.6 in the financial account.

In 2018, there was a balance of payments deficit of U.S.$92.0 million, a decrease in the deficit compared to the U.S.$1,858.5 million balance of payments deficit in 2017. This decrease in the deficit was primarily due to an increase in foreign direct investment of U.S.$782.6 million, a decrease in income from portfolio investments of U.S.$3,889.7 million, a decrease in assets from other investments of U.S.$4,221.8 million and an increase of liabilities from other investments by U.S.$1,935.6 million.

For the third quarter of 2019, there was a balance of payments surplus of U.S.$774.8 million, an increase compared to the U.S.$466.8 million balance of payments deficit in the third quarter of 2018. This increase was primarily due to the decrease in the current account deficit by U.S.$194.7 million due to a 1.1% increase in exports compared to a 5.7% decrease in imports, and to the capital and financial account surplus in the amount of U.S.$917.5 million driven by the issuance and sale of sovereign bonds during the third quarter of 2019.

In the years from 2014 to 2016, the total balance of payments has heavily depended on petroleum exports. Although non-petroleum exports are increasingly becoming a larger portion of the Republic's GDP, there was a non-petroleum trade balance deficit in the years 2014 to 2016. Until the last quarter of 2014, increasing petroleum exports due to the increase in petroleum prices have offset this deficit and resulted in yearly trade balance surpluses or reduced deficits. In 2014 there was a slight increase in remittances from U.S.$2,449.5 million in 2013 to U.S.$2,461.7 million in 2014 and a decrease to U.S.$2,377.8 million in 2015. This decrease in remittances occurred due to the weakening of the euro against the dollar and the economic recession in Spain, which represented 14.4% of all remittances to Ecuador. In 2016, remittances increased to U.S.$2,602.0 million representing an increase of 9.4% from remittances in 2015. This increase in remittances is due to the economic situation of the main countries where Ecuadorians living abroad reside, including the United States, Spain and Italy, among others and also to the response of Ecuadorian migrants to the Pedernales Earthquake. In 2017, remittances increased to U.S.$2,840.2 million representing an increase of 9.2% from remittances in 2016 with remittances principally originating from the United States, Spain and Italy. In 2018, remittances increased to U.S.$3,030.6 million, a 6.7% increase from the U.S.$2,840.2 million in 2017.

The following table sets forth information regarding the Republic's balance of payments for the periods indicated.

Annual Balance of Payments[1]
(in millions of U.S.$)

	As of December 31,					For the nine months ended September 30,	
	2014	2015	2016	2017	2018	2018	2019
Current Account	**-668.7**	**-2,221.0**	**1,321.1**	**-491.8**	**-1,488.1**	**-604.0**	**-380.5**
Trade balance	**-63.5**	**-1,649.8**	**1,567.3**	**311.4**	**-263.0**	**183.2**	**536.5**
Exports[2]	26,596.5	19,048.7	17,425.4	19,618.3	22,122.8	16,654.8	17,108.6
Petroleum and derivatives	13,275.9	6,660.3	5,459.2	6,913.6	8,801.7	6,755.5	6,715.3
Non-petroleum	12,448.6	11,670.3	11,338.5	12,208.9	12,804.4	9,511.4	10,031.7
Non-registered commerce and other exports	872.0	718.1	627.7	495.8	516.7	387.8	361.6
Imports	-26,660.0	-20,698.5	-15,858.1	-19,306.8	-22,385.8	-16,471.6	-16,572.1
Services	**-1,170.7**	**-805.2**	**-1,054.5**	**-1,103.1**	**-710.7**	**-518.2**	**-665.1**
Rendered services (credit)	2,346.3	2,391.3	2,139.8	2,191.1	2,539.5	1,864.8	1,900.8
Transportation	437.0	444.3	409.8	413.6	430.1	319.9	318.9
Travel	1,482.1	1,551.4	1,443.6	1,548.1	1,871.1	1,371.6	1,404.0
Other	427.1	395.7	286.4	229.5	238.3	173.3	177.8
Rendered services (debit)	-3,517.0	-3,196.6	-3,194.3	-3,294.2	-3,250.2	-2,383.0	-2,565.9
Transportation	-1,743.9	-1,510.1	-1,238.2	-1,471.4	-1,548.6	-1,134.6	-1,224.5
Travel	-634.6	-638.6	-661.1	-686.7	-654.2	-495.4	-566.5
Other	-1,138.5	-1,047.8	-1,295.0	-1,136.0	-1,047.4	-753.0	-774.9
Investment income	**-1,543.0**	**-1,728.5**	**-1,845.7**	**-2,364.8**	**-2,923.3**	**-2,057.2**	**-2,256.6**
Inflows (credit)	120.7	140.3	163.8	185.1	235.9	180.3	152.5
Outflows (debit)	-1,663.8	-1,868.8	-2,009.5	-2,549.9	-3,159.2	-2,237.5	-2,409.1
Employees' remuneration	-11.4	-13.5	-14.4	-14.5	-14.6	-10.9	-11.2
Direct investment income	-664.9	-601.1	-436.0	-363.8	-458.0	-325.4	-293.7
Portfolio investment income	-143.2	-230.9	-300.7	-808.4	-1,260.3	-884.4	-909.7
Other	-844.2	-1,023.4	-1,258.4	-1,363.2	-1,426.2	-1,016.7	-1,194.5
Net transfers	**2,108.5**	**1,962.5**	**2,653.9**	**2,664.6**	**2,408.9**	**1,788.2**	**2,004.7**
Emigrant remittances	2,461.7	2,377.8	2,602.0	2,840.2	3,030.6	2,250.4	2,391.4
Capital and financial account	**468.9**	**697.4**	**-13.5**	**-1,354.2**	**1,554.3**	**959.7**	**2,043.6**
Capital account	**66.8**	**-69.1**	**-813.8**	**68.7**	**-192.5**	**-211.9**	**49.9**
Financial account	**402.1**	**766.5**	**800.3**	**-1,422.9**	**1,746.8**	**1,171.7**	**1,993.7**
Direct Investment	776.6	1,331.3	754.7	624.6	1,455.9	850.7	610.8
Portfolio Investment	1,500.4	1,473.4	2,200.9	6,490.6	2,600.9	2,665.7	2,417.2
Other Investment	-1,874.9	-2,038.1	-2,155.3	-8,538.1	-2,310.0	-2,344.7	-1,034.4
Errors and omissions	**-224.6**	**35.2**	**-100.8**	**-12.5**	**-158.1**	**-123.0**	**-133.6**
Total balance of payments	**-424.5**	**-1,488.4**	**1,206.7**	**-1,858.5**	**-92.0**	**232.7**	**1,529.6**
Financing	**424.5**	**1,488.4**	**-1,206.7**	**1,858.5**	**92.0**	**-232.7**	**-1,529.6**
International Reserves [3]	411.5	1,453.1	-1,762.9	1,807.8	-225.5	-241.9	-2,453.8
IMF loans	0.0	0.0	365.2	0.0	0.0	-	902.8
Exceptional Financing, net[4]	13.0	35.3	191.0	50.7	317.4	9.3	21.5

Source: Based on figures from the Central Bank 2019 Quarterly Balance of Payments Bulletin for the Third Quarter of 2019. Balance of payments data is published by the Central Bank on an annual and quarterly basis.

(1) Balance of payments data is published by the Central Bank on an annual and quarterly basis, not by semester.

(2) Figures differ from "Exports-(FOB)" charts and "Real GDP by Expenditure" chart due to the inclusion of non-registered commerce and "other exports." "Non-registered commerce" includes goods, which for some reason are not registered by customs. Ecuadorian customs may not register commerce under various situations including, but not limited to, delays in the submission of export forms, false declarations, different statistical treatment in the country with which Ecuador has engaged in trade, sales of contraband, and arms trade. "Other exports" includes exports of goods for processing, repair of goods, goods acquired in ports through various transportation means and non-monetary gold.

(3) Data corresponds to changes in International Reserves. Negative numbers indicate an increase in International Reserves and positive numbers indicate a reduction.

(4) Data refers to the refinancing of existing debt, financing necessary for repayment of arrears, and loans procured for the purpose of financing the balance of payments.

Quarterly Balance of Payments[1]

(in millions of U.S.$)

	June 2018	September 2018	June 2019	September 2019
Current Account	**-267.4**	**-259.6**	**-35.4**	**-64.9**
Trade balance	**-16.0**	**-84.5**	**165.1**	**313.3**
Exports [2]	5,556.8	5,738.4	5,881.0	5,804.2
Imports	-5,572.9	-5,822.9	-5,715.9	-5,490.9
Services	**-154.9**	**-168.3**	**-176.5**	**-265.9**
Rendered services (credit)	597.5	655.7	651.0	624.7
Transportation	107.2	114.7	107.6	113.7
Travel	439.3	487.1	487.5	442.2
Other	50.9	54.0	55.9	68.9
Rendered services (debit)	-752.4	-824.0	-827.4	-890.6
Transportation	-363.2	-396.1	-406.8	-415.7
Travel	-152.5	-168.8	-181.2	-207.7
Other	-236.8	-259.1	-239.5	-267.3
Investment income	**-713.3**	**-699.1**	**-694.4**	**-805.1**
Inflows (credit)	61.0	59.4	50.1	48.4
Outflows (debit)	-774.3	-758.5	-744.5	-853.5
Employees' remuneration	2.1	2.2	1.9	2.1
Other outflows investment income[3]	58.9	57.2	48.1	46.3
Net transfers	**616.9**	**692.3**	**670.5**	**692.7**
Emigrant remittances	767.3	768.1	809.6	845.6
Other transfers	117.0	115.3	110.7	109.4
Outgoing transfers	-267.5	-191.1	-249.8	-262.2
Capital and financial account	**-1,446.6**	**-130.7**	**98.2**	**917.5**
Capital account	**-245.6**	**17.8**	**16.6**	**18.3**
Financial account	**-1,201.0**	**-148.5**	**81.6**	**899.2**
Direct Investment	221.6	297.4	275.9	127.9
Portfolio Investment	-91.6	-59.9	-303.1	1,991.1
Other Investment	-1,331.0	-386.0	108.9	-1,219.7
Errors and omissions	**-8.5**	**-76.4**	**54.6**	**-77.9**
Total balance of payments	**-1,722.5**	**-466.8**	**117.4**	**774.8**
Financing	**1,722.5**	**466.8**	**-117.4**	**-774.8**
International Reserves [4]	1,701.3	473.7	-122.4	-1,035.1
IMF loans	-	-	-	251.1
Exceptional Financing, net [5]	21.2	-6.9	5.0	9.2

Source: Based on figures from the Central Bank 2019 Quarterly Balance of Payments Bulletin for the Third Quarter of 2019. Balance of payments data is published by the Central Bank on an annual and quarterly basis.

(1) Balance of payments data is published by the Central Bank on an annual and quarterly basis, not by semester.

(2) Figures include "non-registered commerce" and "other exports" and therefore differ from figures included in "Exports-(FOB)" and "Real GDP by Expenditure" tables. "Non-registered commerce" includes goods not registered by customs for reasons such as delays in the submission of import or export forms, falsely declared goods for import or export, different statistical treatment of goods in the origin or destination country, undeclared imports or exports (i.e., contraband), and arms trade. "Other exports" includes exports of goods for processing, repair of goods, goods acquired abroad by transportation companies and non-monetary gold.

(3) Includes direct investment income, portfolio investment income and other investment income.

(4) Data reflects changes in International Reserves, where negative numbers indicate an increase in International Reserves and positive numbers indicate a decrease.

(5) Data refers to the refinancing of existing debt, financing necessary for repayment of arrears, and loans procured for the purpose of financing the balance of payments.

Current Account

In 2014, the current account improved and registered a deficit of U.S.$677.5 million (0.67% of GDP) compared to a deficit of U.S.$944.3 million (0.99% of GDP) in 2013, which was the result of an increase in non-petroleum exports. The current account for 2015 resulted in a deficit of U.S.$2,223.3 million (2.24% of GDP) caused by the decrease in the price of petroleum exports. The current account for 2016 resulted in a surplus of U.S.$1,323.9 million (1.32% of GDP) caused by the surplus in the trade balance and the surplus in net transfers. In 2017, the current account registered a deficit of U.S.$481.1 million (0.46% of GDP), a decrease of U.S.$1,805.0 million in the deficit compared to the U.S.$1,323.9 million surplus for 2016. The decrease in the current account was mainly due to a lower surplus of U.S.$1,255.9 million in the trade balance account and a higher deficit of U.S.$509.1 million in the investment income account. In 2018, the current account registered a deficit of U.S.$1,357.8 million, an increase of U.S.$876.8 million in the deficit compared to the U.S.$481.1 million deficit in 2017. This increase in the deficit was mainly due to a deficit in the trade balance of U.S.$263.0 million, a deficit in the services balance of U.S.$709.8 million and a deficit in the investment income balance of U.S.$2,793.9 million, despite a surplus in net transfers of U.S.$2,408.9 million. For the third quarter of 2019, the current account registered a deficit of U.S.$64.9 million, a U.S.$194.7 million decrease in the deficit compared to the U.S.$259.6 million deficit for the same period in 2018. This decrease in the deficit was mainly due to a U.S.$397.9 million increase in the goods account which offset the U.S.$203.6 million increase in the deficit of the services and rent accounts. This increase in the goods account was driven by a 1.1% increase in exports and a 5.7% decrease in imports.

Although imports increased by 2.6% in 2014, the rate of increase was lower compared to 2013, principally due to the Republic's promotion of domestic production. In 2015, imports totaled U.S.$20,698.5 million, compared to U.S.$26,660.0 million for 2014 registering the first decrease in the levels of imports in the previous five years. This decrease in the level of imports was due to budget adjustments that limited the amount of investment to be used in the purchase of imports. In 2016, imports continued decreasing totaling U.S.$15,858.1 million, a 23% decrease compared to the previous year. This decrease was principally due to a decrease in the price of crude oil and a decrease in imports of fuel and lubricants. In 2017, imports totaled U.S.$19,306.8 million compared to U.S.$15,858.1 million in 2016. This increase in the level of imports was due to an increase in imports of 45.0% in consumer goods, 19.3% in fuel and lubricants, 16.7% in raw materials and 30.2% in capital goods due to the lifting of tariff surcharges on various consumer goods imports in June 2017. In 2018, imports totaled U.S.$22,385.8 million compared to U.S.$19,306.8 million in 2017. This increase in the level of imports was primarily due to a 13.7% increase in imports of consumer goods, a 36.4% increase in imports of fuel and lubricants, an 11.6% increase in imports of commodities, an 11.1% increase in imports of capital assets, and a 47.8% increase in various imports.

For the third quarter of 2019, imports totaled U.S.$5,490.9 million compared to U.S.$5,822.9 million for the third quarter of 2018. This decrease in the level of imports was primarily due to a 10.1% decrease in imports of consumer durables and a 12.7% decrease in imports of commodities.

In 2014, the trade balance registered a deficit of U.S.$63.5 million. Increased shrimp exports for the period contributed to this reduction in the deficit. In 2015, the trade balance registered a deficit of U.S.$1,649.8 million, which was the result of lower revenues from petroleum exports as a result of the decline in the price of oil. In 2016, the trade balance resulted in a surplus of U.S.$1,567.3 million, an improvement compared to the U.S.$1,649.8 million trade balance deficit in 2015. In 2017, the trade balance resulted in a surplus of U.S.$311.4 million, a decrease compared to the U.S.$1,567.3 million surplus in 2016. An increase in imports consisting mainly of durable and non-durable consumer goods, fuel and lubricants, industrial raw materials, industrial capital goods and transportation equipment capital goods as a consequence of the lifting of tariff surcharges on various consumer goods imports contributed to this decrease. The trade balance in 2018 resulted in a deficit of U.S.$263.0 million, as compared to the U.S.$311.4 million surplus in 2017. This deficit in 2018 was mainly due to a 36.4% increase in imports of fuel. The trade balance for the third quarter of 2019 resulted in a surplus of U.S.$313.3 million, as compared to the U.S.$84.5 million deficit for the same period in 2018. This increase in the surplus was mainly due to a 1.1% increase in total exports driven by an increase in exports of goods such as shrimp, coffee and banana, compared to a 5.7% decrease in total imports driven by a decrease in imports of consumer durables and commodities.

In 2014, the services balance registered a deficit of U.S.$1,170.7 million. In 2015, the services balance improved to a deficit of U.S.$805.2 million as a result of an improvement in the rendered services balance. In 2016, the services balance registered a deficit of U.S.$1,054.5 which is an increase from the U.S.$805.2 million deficit of 2015. This increase was the result of a decrease in the credit amount for rendered services. In 2017, the services balance improved to a deficit of U.S.$994.3 million compared to the U.S.$1,054.5 deficit in 2016. The services balance for 2018 resulted in a deficit of U.S.$709.8 million, a decrease in the deficit compared to the U.S.$1,103.1 million deficit in 2017. This decrease in the deficit was mainly due to an increased in tourism in Ecuador. The services balance for the third quarter of 2019 resulted in a deficit of U.S.$265.9 million, an increase in the deficit compared to the U.S.$168.3 million deficit for the same period in 2018. This increase in the deficit was mainly due to a U.S.$66.6 million increase in services received and a U.S.$44.9 million decrease in services rendered, especially services related to travel.

The investment income balance registered a deficit of U.S.$1,842.9 million in 2016, which was an increase from the deficits of U.S.$1,730.8 million and U.S.$1,551.8 million in 2015 and 2014, respectively. The continued increases from 2014 to 2016 are primarily due to an increase in interest payments related to the increase in bilateral and multilateral debt as well as an increase in the portfolio. For more information regarding the Republic's public debt, see "*Public Debt—Debt Obligations*." The investment income balance for 2017 resulted in a deficit of U.S.$2,354.1 million, an increase in the deficit compared to the U.S.$1,842.9 million deficit in 2016. This increase in the deficit was due to an increase in investment outflows as a result of the payment of interest from the investment portfolio and from external debt. The investment income balance in 2018 resulted in a deficit of U.S.$2,793.9 million, an increase in the deficit compared to the U.S.$2,354.1 million deficit in 2017. This increase in the deficit was mainly due to an increase in interest payments by Ecuador for the investment portfolio from U.S.$808.4 million to U.S.$1,260.3 million. The investment income balance for the third quarter of 2019 resulted in a deficit of U.S.$805.1 million, an increase in the deficit compared to the U.S.$699.1 million deficit for the same period in 2018. This increase in the deficit was mainly due to a U.S.$50.2 million increase in interest revenues from portfolio investments and a U.S.$47.4 million increase in foreign loans.

Remittances, which are primarily denominated in U.S dollars and Euros, are an important source of net transfers to Ecuador's current account. Remittances increased by 0.4% to U.S.$2,461.7 million in 2014 and decreased by 3.4% to U.S.$2,377.8 million in 2015. Remittances then increased by 9.4% to U.S.$2,602.0 million in 2016. The year on year fluctuation for remittance levels from 2014 to 2015 reflected the economic situation of those countries from which the remittances were received. In 2016, the majority of remittances came from the United States, Spain and Italy with 56.2%, 26.4% and 6.0%, respectively. This increase in remittances is due to the economic situation of the main countries where Ecuadorians living abroad reside, including the United States, Spain, and Italy, among others, and also to the response of Ecuadorian migrants to the Pedernales Earthquake. In 2017, remittances totaled U.S.$2,840.2 million, an increase compared to the U.S.$2,602.0 million total in 2016. This increase in remittances was due to the improvement in the economic situation of the main countries where Ecuadorians living abroad reside which led to an increase of U.S.$128 million in remittances from the United States and U.S.$81 million in remittances from Spain. In 2018, remittances totaled U.S.$3,030.6 million, an increase compared to the U.S.$2,840.2 million in 2017. This increase in remittances was due to the improvement in the economic situation of the main countries where Ecuadorians living abroad reside. For the third quarter of 2019, remittances totaled U.S.$845.6 million, an increase compared to the U.S.$768.1 million for the same period in 2018. This increase in remittances was mainly due to a U.S.$59.5 million increase in remittances from the United States driven by the improvement of the American economy.

Capital and Financial Account

The capital and financial account measures valuations in Ecuador's assets and liabilities against those of the rest of the world (other than valuations from exceptional financings). In 2015, the capital and financial account registered U.S.$699.6 million, an increase from a surplus of U.S.$477.6 million in 2014. This increase was the result of increased foreign investment in 2015. In 2016, the capital and financial account registered a deficit of U.S.$16.4 million. This deficit was the result of a deficit in the capital account consisting mainly of a decrease in outgoing capital transfers. In 2017, the capital and financial account registered a deficit of U.S.$1,364.9 compared to the deficit of U.S.$16.4 million in 2016. This increase in the deficit of the capital and financial account was due

to a decrease in foreign direct investment and the repayment of external debt. In 2018, the capital and financial account registered a surplus of U.S.$1,424.1 million compared to the U.S.$1,364.9 million deficit in 2017. This increase in the surplus in the capital and financial account in 2018 was primarily due to an increase in foreign direct investment of U.S.$782.6 million, a decrease in income from portfolio investments of U.S.$3,889.7 million, a decrease in assets from other investments of U.S.$4,221.8 million and an increase in liabilities from other investments of U.S.$1,935.6 million. For the third quarter of 2019, the capital and financial account registered a surplus of U.S.$917.5 million compared to the U.S.$130.7 million deficit for the same period in 2018. This increase in the surplus in the capital and financial account was primarily due to the issuance and sale of U.S.$2,000 million in sovereign bonds, compared to the U.S.$1,219.7 million deficit in the "other investments" account, showing a U.S.$984.2 million balance in assets and a U.S.$235.5 million decrease in liabilities.

In 2014 and 2015, total direct investment continued to increase to U.S.$772.3 million and U.S.$1,322.5 million, respectively. These increases were principally due to an increase in investment in the mining sector. In 2016, total direct investment decreased to U.S.$767.4 million. This decrease was principally due to a decrease in investment in the manufacturing and in the services rendered to businesses sectors. In 2017, total direct investment decreased to U.S.$618.4 million. This decrease was mainly due to a lower inflow received from the shares and other equity security interests and reinvested earnings accounts. In 2018, foreign direct investment totaled U.S.$1,410.0 million, an increase compared to the U.S.$618.8 million in 2017. This increase was principally due to a positive net flow of debt between related companies where service of the debt outpaced amortization. For the third quarter of 2019, foreign direct investment totaled U.S.$127.9 million, a decrease compared to the U.S.$297.4 million for the same period in 2018. This decrease was principally due to a U.S.$66.9 million decrease in sale of shares of stock and in other capital investments, a U.S.$6.1 million decrease in reinvested earnings and a U.S.$96.5 million decrease in the "Other capital" account.

In 2014 and 2015, portfolio investment registered a surplus of U.S.$1,500.4 million and U.S.$1,473.4 million, respectively. In 2016, portfolio investment showed a surplus of U.S.$2,200.9 million. In 2017, portfolio investment showed a surplus of U.S.$6,490.6 million. In 2018, portfolio investment registered a U.S.$2,600.9 million surplus, a decrease in the surplus compared to the U.S.$6,490.6 million surplus in 2017. This decrease in the surplus was mainly due to debt settlements by U.S.$296 million and a decrease in bond issuances. For the third quarter of 2019, portfolio investment registered a U.S.$1,991.1 million surplus, compared to the U.S.$59.9 million deficit for the same period in 2018. This increase in the deficit was mainly due to the offering by the Republic of U.S.$2,000 million during that period.

International Reserves

Ecuador's International Reserves, include, among other items, cash in foreign currency, gold reserves, reserves in international institutions, and deposits from Ecuador's financial institutions and non-financial public sector institutions. In 2015, Ecuador's International Reserves totaled U.S.$2,496.0 million, a decrease from 2014, when International Reserves totaled U.S.$3,949.1 million. This decrease was due to transfers to the Liquidity Fund for the purpose of strengthening the financial safety net. In 2016, Ecuador's International Reserves totaled U.S.$4,258.8 million, an increase from 2015. This increase was primarily due to loan disbursements, external debt servicing and hydrocarbon operations.

As of December 31, 2017, Ecuador's International Reserves totaled U.S.$2,451.1 million, a decrease compared to December 31, 2016 when International Reserves totaled U.S.$4,258.8 million. The decrease in International Reserves during the 12-month period ending in December 31, 2017 compared to the period ending in December 31, 2016 was mainly due to a decrease in investments, term deposits and securities. As of December 31, 2018, Ecuador's International Reserves totaled U.S.$2,676.5 million, an increase from December 31, 2017 when International Reserves totaled U.S.$2,451.1 million. The increase in International Reserves during the 12-month period ending in December 31, 2018 compared to the period ending in December 31, 2017 was mainly due to an increase in the net income of oil exports (U.S.$2,065 million) and the net payment of external public debt (U.S.$2,065 million), which allowed to offset the net outflow of the private financial sector (mainly due to goods and services imports) by U.S.$2,091 million, the non-oil imports of the public sector and payments in arbitral awards by U.S.$1,927 million, and net cash withdrawals from the financial system by U.S.$589 million.

As of November 30, 2019, Ecuador's International Reserves totaled U.S.$3,178.7 million, an increase from November 30, 2018 when International Reserves totaled U.S.$2,382.2 million. This increase in International Reserves was principally due to a higher net income from crude oil exports than money transfers from oil derivatives imports resulting in a net increase in international reserves of U.S.$2,040 million, and a U.S.$1,717 million increase in public external debt during the period; with this increase in the inflow of money partly offset by a net increase in money transfers abroad from the public and private financial sectors, in the amounts of U.S.$1,489 million and U.S.$1,055 million, respectively, and to net cash withdrawals from the financial system totaling U.S.$415 million. As of December 31, 2019, Ecuador's International Reserves totaled U.S.$3,397.1 million, a 26.9% increase from December 31, 2018 when International Reserves totaled U.S.$2,676.5 million, and a 6.9% increase from November 30, 2019, when International Reserves totaled U.S.$3,178.7 million.

As of November 30, 2019, Ecuador's International Reserves totaled U.S.$3,178.7 million, a 22.4% decrease from October 31, 2019. As of October 31, 2019, Ecuador's International Reserves totaled U.S.$4,097.8 million, a 20.1% decrease from September 30, 2019. As of September 30, 2019, Ecuador's International Reserves totaled U.S.$5,130.4 million, a 34.7% increase from August 31, 2019.

Foreign Trade

Merchandise and Services Trade

Ecuador has historically been an exporter of primary goods, and an importer of raw materials, capital, and intermediate goods, as well as manufactured products. The Republic's main exports are relatively limited in terms of sectors and export markets. Two of Ecuador's principal export markets, the United States and the European Union, have been significantly affected by the global recession that began in 2008-2009. From 2012 to 2017, the United States, the European Union and the Andean Community were the destinations for the majority of Ecuador's exports. Ecuador continues to seek to expand the types of goods it exports as well as its trading partners through engaging with, and obtaining funding from development banks and other strategic initiatives. Since 1972, petroleum and petroleum derivatives have comprised the majority of Ecuadorian export products. According to exports (FOB) data, in 2016, 2017 and 2018 exports of petroleum and petroleum derivatives accounted for approximately 32.5%, 36.2% and 40.7% of total exports, respectively. Between 2014 and 2018, non-petroleum exports, which include, among others, flowers, vehicles, manufactured textile products and seafood, increased by 17.0% in 2014, but decreased by 6.3% and 2.8% in the years 2015 and 2016, before rebounding to 7.7% and 4.9% growth in the years 2017 and 2018. Ecuador's total export trade decreased steadily during the years 2014 to 2016, but grew steadily in 2017 and 2018. According to exports (FOB) data, in 2018, overall exports increased to U.S.$21,606 million, compared to U.S.$19,122 million for 2017. In the first ten months of 2019, overall exports amounted to U.S.$18,434 million, an increase of 1.1% compared to U.S.$18,235 million for the same period in 2018. This increase was mainly due to 6% increase in the exported volume of goods from 25,888.9 to 27,445.3 thousand metric tons. In the first eleven months of 2019, overall exports amounted to U.S.$20,312 million, an increase of 1.1% compared to U.S.$19,900 million for the same period in 2018.

The following table shows the overall balance of trade for the periods indicated:

Overall Balance of Trade [(1)]
(in millions of U.S.$)

	Exports	Imports	Balance
Year Ended December 31, 2014	26,596.5	-26,660.0	-63.5
Year Ended December 31, 2015	19,048.7	-20,698.5	-1,649.8
Year Ended December 31, 2016	17,425.4	-15,858.1	1,567.3
Year Ended December 31, 2017	19,618.3	-19,306.8	311.4
Year Ended December 31, 2018	22,122.8	-22,385.8	-263.0
Period Ended September 30, 2018	16,654.8	-16,471.6	183.2
Period Ended September 30, 2019	17,108.6	-16,572.1	536.5

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the Third Quarter of 2019.
(1) Data for exports and imports reflect figures from "Balance of Payments" chart.

Overall Balance of Trade [(1)]
(in millions of U.S.$)

	Exports	Imports	Balance
Second Quarter of 2018	5,556.8	-5,572.9	-16.0
Third Quarter of 2018	5,738.4	-5,822.9	-84.5
Fourth Quarter of 2018	5,468.0	-5,914.2	-446.2
First Quarter of 2019	5,423.4	-5,365.2	58.2
Second Quarter of 2019	5,881.0	-5,715.9	165.1
Third Quarter of 2019	5,804.2	-5,490.9	313.3

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the Third Quarter of 2019.
(1) Data for exports and imports reflect figures from "Balance of Payments" chart.

Trade Policy

Ecuador's trade policy has focused on protecting dollarization, avoiding a decrease in the money supply, integrating into the international economy, as well as increasing the access of Ecuadorian goods and services to new markets and, until recently, reducing non-tariff barriers to trade.

Until the late 1980s, Ecuador used tariff barriers to protect its domestic industry against foreign competition. Import duties ranged from zero to 290%, with up to fourteen different rates.

In the early 1990s, the Government began to significantly liberalize its foreign trade policy. As a result of those reforms, the tariff structure was simplified and currently consists of a seven-tiered structure (0%, 3%, 5%, 10%, 15%, 20% and 35%), with levels of 5% for most raw materials and capital goods, 10% or 15% for intermediate goods, and 20% for most consumer goods. A small number of products, including planting seeds, are subject to a tariff rate of zero, while the 35% tariff is exclusively applied to the automobile industry. Average tariff levels were reduced from 29% in 1989 to 6% in 2004.

In 2007, Ecuador introduced the Currency Outflow Tax, an exit tax of 0.5% on any currency leaving the country, which was subject to a number of exemptions. Since December 2007, Ecuador has progressively increased the Currency Outflow Tax as a measure to support a positive balance of trade. The tax acts as a devaluation of the U.S. dollar in Ecuador, thereby making imports more expensive and fostering local production. In December 2007, Ecuador increased the Currency Outflow Tax to 1% and eliminated the applicable exemptions. In December 2009, the Currency Outflow Tax increased from 1% to 2% and included an exemption for the first U.S.$500 per transaction. In November 2011, the Currency Outflow Tax increased from 2% to 5% and included an exemption for the first U.S.$1,000 in a 15-day period as long as no debit or credit card is used in the transaction. Payments of external public debt and dividends paid to foreign shareholders are also exempt from this tax. In 2016, the exemption was raised to U.S.$1,098 and U.S.$5,000 if a debit card or credit card is used.

In January 2009, the Republic, through the *Consejo de Comercio Exterior e Inversiones* ("Foreign Commerce and Investment Council") (now the Committee on Foreign Trade), imposed tariffs of general applicability on some consumer goods imports, including products imported from countries with which Ecuador has commercial treaties honoring preferential status. Ecuador enforced these tariffs for one year, in order to restore its trade balance.

On December 12, 2014, representatives from Ecuador's Ministry of Foreign Commerce signed a trade agreement with the European Union for Ecuador's accession to the Multiparty Trade Agreement entered into the European Union and Colombia and Peru on June 26, 2012. The agreement is intended to provide expanded access to the European market for Ecuadorian exports and lower tariff duties on European imports into the Ecuadorian market. As part of the agreement reached in 2014, Ecuador was allowed to benefit from the European Union's Generalized Scheme of Preferences Plus program until 2016 or until the trade agreement was in place. This benefit allowed Ecuador to not pay tariffs on exports of Ecuadorian products into the European Union.

On November 11, 2016, Ecuador signed the accession agreement to the Multiparty Trade Agreement with the European Union Council. The trade agreement required the approval of each of the National Assembly, the European Parliament, and the legislatures of the 28 European Union member countries in order to be effective. In

January 2017, both the European Union and Ecuador implemented the trade agreement on a provisional basis pursuant to Article 3 of the European Council's decision (EU) 2016/2039 with the exception of Articles 2, 202(1), 291 and 292 of the trade agreement. The agreement will allow Ecuadorian products (including fishing products, bananas, flowers, coffee, cocoa, fruits, and nuts) to have greater access to the European market. The Ministry of Foreign Commerce estimates that this agreement will increase the Ecuadorian supply of goods into and from the European Union by 1.6% until 2020.

On January 25, 2015, EPCN and Peru's Cementos Yura S.A. signed a U.S.$230 million contract for the construction of a clinker (cement) production plant. As of the date of entrance into the agreement, the plant was expected to be built in the city of Riobamba and to produce an estimated 2,400 tons of clinker per day. As of September 22, 2015 Cementos Yura S.A. held a 63.5% stake in EPCN. As of the date of entrance into the agreement, the Government stated that the domestic production of clinker through this agreement was expected to reduce imports of cement products into the Republic.

In March 2015, the Committee on Foreign Trade issued a resolution imposing temporary and non-discriminatory tariff surcharges on various consumer goods imports, in order to regulate national imports and reduce the balance of payments deficit. The tariff surcharges are in addition to the ones currently in place and do not apply to certain imports, including those exported by less developed member countries of the *Asociación Latinoamericana de Integración* ("Latin American Integration Association").

In January 2016, the Committee on Foreign Trade modified certain tariff surcharges set by the March 2015 resolution, from a 45% surcharge to a 40% surcharge. Additionally, on April 29, 2016, the Committee on Foreign Trade delayed the release of the tariff surcharges for an additional year. The dismantling of tariff surcharges, implemented in 2015 to improve the balance of payments led to a reduction of the 10% tariff surcharge to 5% and the 23.3% tariff surcharge to 11.7%, as of May 1, 2017. On June 1, 2017, both the 5% and the 11.7% tariff surcharges were eliminated.

On November 13, 2017, the *Servicio Nacional de Aduana del Ecuador* ("SENAE") imposed a custom control service tariff of ten cents of a dollar per imported unit (with certain exceptions) in order to fight against smuggling and fraud. On June 7, 2018, the SENAE eliminated the custom control service tariff following the instructions of the General Secretariat of the Community of Andean Nations.

On May 15, 2019, Ecuador, together with Peru and Colombia, signed a trade agreement with the United Kingdom to preserve their mutual trade commitments should the United Kingdom exit the European Union as a result of the United Kingdom's exit from the European Union. With this trade agreement, the Republic and the United Kingdom intend to replicate their current trade commitments under the Multiparty Trade Agreement with the European Union. This agreement will not enter into force while the Multiparty Trade Agreement continues to apply to the United Kingdom.

There have also been other measures taken to increase local production, including the creation of the Ministry of Production, Foreign Trade, Investments and Fisheries and the enactment of the Production Code, see "*The Ecuadorian Economy—Economic and Social Policies—Production Code*."

Regional Integration

Ecuador's trade integration policy consists of entering new markets strategically, promoting the growth of non-traditional exports, and encouraging investment. Ecuador has intensified its efforts to strengthen trade arrangements with its primary partners, including:

- Removing regional trade restrictions as a member of ALADI (a regional external trade association comprised of Ecuador, Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela);

- Reducing or eliminating tariff barriers to trade, as a member of the Andean Community, except with respect to measures taken to increase the Republic's balance of payments in 2009 as a result of the global recession;

- Entering into bilateral trade agreements with Colombia, Venezuela and Bolivia that are aimed at levying uniform tariffs on goods from third parties;

- Entering into a bilateral trade agreement with Chile in 1994, which was expanded in 2008;

- Negotiating a bilateral association agreement with Paraguay;

- Maintaining preferential access to the European Union through preferential trade status;

- Entering into the *Sistema Unitario de Compensación Regional* ("Regional Payment Compensation Unitary System" or "SUCRE"), with the governments of Bolivia, Ecuador, Cuba, Honduras, Nicaragua and Venezuela in 2009, which sets forth an account unit and function as a means of payment, intended to be used by national banks and to eliminate the use of currency for international trade transactions;

- Signing a trade agreement with the European Union in July 2014 that expands access to the European market for Ecuadorian exports and lowers tariff duties on European imports into the Ecuadorian market; and

- Signing a trade agreement with the United Kingdom to preserve their mutual trade commitments should the United Kingdom exit the European Union as a result of "Brexit."

Composition of Trade

In 2014, despite a 3% decrease in crude oil exports, overall exports increased to U.S.$25,724 million, an increase of 4%, compared to 2013. The increase was primarily due to improved banana (11%) and cacao (36%) production, as well as a sharp increase in shrimp exports (41%).

In 2015, overall exports fell to U.S.$18,331 million, a decrease of 29% compared to 2014. This decrease was primarily due to a decrease in crude oil exports (51%), as well as reductions in shrimp exports (9%) and exports of tuna and other fish (18%). The decrease in crude oil exports reflected the decrease in the price of crude oil in 2015.

In 2016, overall exports decreased to U.S.$16,798 million, a decrease of 8% compared to 2015. This decrease was primarily due to a decrease in crude oil exports (20%), as well as a decrease in cacao exports (10%) and exports of metal manufacturing (21%).

In 2017, overall exports increased to U.S.$19,122 million, an increase of 13.8% compared to 2016. This increase was primarily due to an increase in petroleum derivatives exports (78.6%), as well as crude oil exports (22.5%) and exports of shrimp (17.7%).

In 2018, overall exports amounted to U.S.$21,606 million, an increase of 13.0% compared to U.S.$19,122 million in 2017. This increase was primarily due to an increase in the unit price in the main export products, particularly petroleum, combined with an increase in export volumes, mainly petroleum.

In the first ten months of 2019, overall exports amounted to U.S.$18,434 million, an increase of 1.1% compared to U.S.$18,235 million for the same period in 2018. This increase was mainly due to 6% increase in the exported volume of goods from 25,888.9 to 27,445.3 thousand metric tons. In the first eleven months of 2019,

overall exports amounted to U.S.$20,312 million, an increase of 1.1% compared to U.S.$19,900 million for the same period in 2018.

The following table sets forth information regarding exports for the periods indicated.

Exports - (FOB)[1]

(in millions of U.S.$ and as a % of total exports)

	For the Year Ended December 31,										For the Eleven Months Ended November 30,			
	2014		2015		2016		2017		2018		2018		2019	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Crude oil	13,016	50.6	6,355	34.7	5,054	30.1	6,190	32.4	7,853	36.3	7,346	36.9	7,051	34.7
Bananas and plantains	2,577	10.0	2,808	15.3	2,734	16.3	3,035	15.9	3,196	14.8	2,891	14.5	2,964	14.6
Petroleum derivatives	259	1.0	305	1.7	405	2.4	724	3.8	948	4.4	879	4.4	903	2.8
Shrimp	2,513	9.8	2,280	12.4	2,580	15.4	3,038	15.9	3,235	15.0	2,971	14.9	3,598	17.7
Cacao	576	2.2	693	3.8	621	3.7	588	3.1	664	3.1	577	2.9	557	2.7
Coffee	24	0.1	18	0.1	18	0.1	17	0.1	13	0.1	11	0.1	6	0.0
Tuna and other fish	296	1.2	258	1.4	244	1.5	242	1.3	304	1.4	285	1.4	289	1.4
Flowers	918	3.6	820	4.5	802	4.8	881	4.6	852	3.9	793	4.0	808	4.0
Metal manufacturing[2]	519	2.0	510	2.8	402	2.4	440	2.3	523	2.4	479	2.4	399	2.0
Other products[3]	5,024	19.5	4,284	23.4	3,936	23.4	3,967	20.7	4,018	18.6	3,666	18.4	3,736	18.4
Total	**25,724**	**100**	**18,331**	**100**	**16,798**	**100**	**19,122**	**100**	**21,606**	**100**	**19,900**	**100**	**20,312**	**100**

Source: Based on figures from the Central Bank December 2019 Monthly Bulletin (Table 3.1.1).

(1) Figures do not include "non-registered commerce" and "other exports" and therefore differ from export figures in "Balance of Payments" and "Real GDP by Expenditure" tables. See footnote 1 of "*Balance of Payment*" chart.

(2) Includes vehicles and their components.

(3) "Other products" consist of non-traditional primary and manufactured products, including abaca, wood, other primary products, processed coffee, processed cacao products, fish flour, other canned seafood, chemicals and pharmaceutical products, hats, textile manufactured products and other industrialized products.

The following table sets forth information regarding imports for the periods indicated.

Imports – (CIF)

(in millions of U.S.$ and as a % of total imports)

	2014		2015		2016		2017		2018		For the Eleven Months Ended November 30, 2018		2019	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Consumer goods														
Non-durable goods	3,014	10.9	2,695	12.5	2,140	13.1	2,505	12.5	2,716	11.7	2,503	11.7	2,629	12.5
Durable goods	2,230	8.0	1,593	7.4	1,241	7.6	1,944	9.7	2,362	10.2	2,189	10.2	1,946	9.3
Postal traffic	208	0.8	131	0.6	136	0.8	165	0.8	173	0.7	156	0.7	152	0.7
Fuel and combustibles	6,617	23.9	4,171	19.4	2,632	16.1	3,350	16.7	4,509	19.4	4,163	19.5	4,153	19.8
Primary materials														
Agriculture	1,351	4.9	1,199	5.6	1,112	6.8	1,243	6.2	1,497	6.5	1,363	6.4	1,319	6.3
Industrial…	6,147	22.2	5,445	25.3	4,501	27.6	5,401	27.0	5,854	25.2	5,424	25.4	4,974	23.7
Construction materials	1,120	4.0	658	3.1	413	2.5	475	2.4	590	2.5	539	2.5	562	2.7
Capital goods														
Agriculture	128	0.5	144	0.7	117	0.7	141	0.7	162	0.7	152	0.7	108	0.5
Industrial…	4,898	17.7	3,948	18.3	2,978	18.2	3,427	17.1	3,679	15.9	3,377	15.8	3,399	16.2
Transportation equipment	1,954	7.0	1,471	6.8	992	6.1	1,308	6.5	1,574	6.8	1,455	6.8	1,621	7.7
Other	60	0.2	63	0.3	62	0.4	53	0.3	77	0.3	67	0.3	101	0.5
Total	**27,726**	**100**	**21,518**	**100**	**16,324**	**100**	**20,010**	**100**	**23,193**	**100**	**21,388**	**100**	**20,964**	**100**

Source: Based on figures from the Central Bank December 2019 Monthly Bulletin (Table 3.1.7)

Ecuador's largest trading partners are the United States, the European Union, Panama, China, Chile, Peru and Colombia. The following table sets forth information regarding the country of destination of the Republic's exports.

Exports - (FOB) by Destination Country[1]

(in millions of U.S.$, and as a % of total exports)

	2014		2015		2016		2017		2018		January 1 – November 30 2018		2019	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Americas														
United States	11,240	43.7	7,226	39.4	5,436	32.4	6,057	31.7	6,672	30.9	6,130	30.8	6,005	29.6
Peru	1,582	6.1	934	5.1	934	5.6	1,283	6.7	1,615	7.5	1,486	7.5	922	4.5
Colombia	951	3.7	784	4.3	811	4.8	763	4.0	833	3.9	767	3.9	764	3.8
Chile	2,328	9.0	1,138	6.2	1,151	6.9	1,236	6.5	1,467	6.8	1,365	6.9	1,464	7.2
Panama	1,398	5.4	442	2.4	662	3.9	936	4.9	1,244	5.8	1,211	6.1	1,724	8.5
Other (Americas)[2]	1,554	6.0	1,247	6.8	1,090	6.5	1,009	5.3	1,113	5.1	997	5.0	1,098	5.4
Total Americas	19,052	74.1	11,771	64.2	10,083	60.0	11,284	59.0	12,942	59.9	11,955	60.1	11,977	59.0
Europe														
European Union (EU)	2,981	11.6	2,773	15.1	2,832	16.9	3,173	16.6	3,269	15.1	2,999	15.1	2,820	13.9
Italy	431	1.7	326	1.8	461	2.7	587	3.1	647	3.0	600	3.0	435	2.1
United Kingdom	176	0.7	166	0.9	139	0.8	200	1.0	187	0.9	172	0.9	150	0.7
Germany	526	2.0	549	3.0	531	3.2	502	2.6	494	2.3	450	2.3	301	1.5
Spain	525	2.0	484	2.6	547	3.3	601	3.1	582	2.7	545	2.7	588	2.9
Other (EU)[3]	1,323	5.2	1,249	6.8	1,153	6.9	1,283	6.7	1,359	6.3	1,232	6.2	7	6.6
Rest of Europe[4]	1,072	4.2	903	5.0	902.5	5.4	970	5.1	963	4.5	878	4.4	5	4.6
Total Europe	4,053	15.8	3,676	20.1	3,734	22.2	4,144	21.7	4,232	19.6	3,878	19.5	3,748	18.5
Asia														
Taiwan	7	0.0	6	0.0	9	0.1	12	0.1	6	0.0	6	0.0	10	0.0
Japan	326	1.3	331	1.8	320	1.9	389	2.0	319	1.5	298	1.5	278	1.4
China	485	1.9	723	3.9	656	3.9	772	4.0	1,494	6.9	1,353	6.8	2,679	13.2
South Korea	57	0.2	173	0.9	83	0.5	115	0.6	104	0.5	92	0.5	145	0.7
Other countries[5]	1,558	6.1	1,475	8.0	1,775	10.6	2,307	12.1	2,368	11.0	2,191	11.0	6	6.3
Total Asia	2,433	9.5	2,708	14.8	2,842	16.9	3,595	18.8	4,291	19.9	3,940	19.8	4,401	21.7
Africa	122	0.5	105	0.6	65	0.4	43	0.2	83	0.4	75	0.4	134	0.7
Oceania	45	0.2	51	0.3	52	0.3	54	0.3	54	0.2	49	0.2	48	0.2
Other countries	20	0.1	20	0.1	21	0.1	3	0.0	4	0.0	3	0.0	4	0.0
Total	25,724	100	18,331	100	16,798	100	19,122	100	21,606	100	19,900	100	20,312	100

Source: Based on figures from the Central Bank December 2019 Monthly Bulletin (Table 3.1.5)

(1) Total export figures differ with export figures from "Balance of Payments" chart and "Real GDP by Expenditure" chart due to the exclusion of "non-registered commerce" and "other exports" figures in calculation of total exports in this chart. See footnote 1 of "Balance of Payment" chart.

(2) Includes Canada, the Central American Common Market, Argentina, Brazil, Mexico, Panama, Venezuela, Bolivia and other countries in the Americas.

(3) Includes Belgium, Luxembourg, France, Holland and other countries in the EU.

(4) Includes the European Free Trade Association and other countries in Europe.

(5) Includes Hong Kong and other countries in Asia.

The following table sets forth information regarding the country of origin of the Republic's imports for the periods presented.

Imports (CIF) by Country of Origin
(in millions of U.S.$)

	As of December 31,					Jan. 1–Nov. 30	
	2014	2015	2016	2017	2018	2018	2019
Americas[1]							
Mexico	967	656	491	660	732	680	649
United States	8,751	5,806	4,116	4,532	5,534	5,076	4,911
Central America	104	96	95	120	126	117	103
South America and the Caribbean							
Argentina	501	235	218	375	409	381	256
Brazil	863	712	672	867	962	886	863
Bolivia	114	183	192	196	234	214	204
Colombia	2,201	1,766	1,421	1,716	1,923	1,757	1,722
Chile	583	551	480	560	538	494	472
Panama	1,442	1,022	889	1,274	1,724	1,683	1,528
Peru	1,024	789	689	830	876	814	768
Rest of Americas and Caribbean[1]	678	487	368	468	443	408	520
TOTAL AMERICA	**17,227**	**12,302**	**9,630**	**11,598**	**13,502**	**12,510**	**11,995**
Europe							
Germany	578	497	398	481	518	481	434
Italy	326	344	258	262	319	286	239
Spain	618	430	357	620	572	510	627
UK	151	87	51	97	97	91	94
Rest of EU[2]	1,315	1,126	793	1,113	1,459	1,319	1,287
Rest of Europe[3]	302	313	313	248	275	252	317
TOTAL EUROPE	**3,288**	**2,796**	**2,170**	**2,821**	**3,241**	**2,938**	**2,998**
Asia							
China	3,613	3,266	2,549	3,064	3,589	3,321	3,429
Japan	574	478	293	408	416	385	470
Taiwan	213	182	123	139	162	150	121
South Korea	902	792	526	616	707	633	540
Rest of Asia[4]	1,548	1,431	783	1,049	1,268	1,175	1,104
TOTAL ASIA	**6,851**	**6,148**	**4,275**	**5,276**	**6,141**	**5,665**	**5,665**
Postal Traffic and regions excluding the Americas, Europe and Asia[5]	**360**	**272**	**249**	**315**	**309**	**274**	**307**
Total	**27,726**	**21,518**	**16,324**	**20,010**	**23,193**	**21,388**	**20,964**

Source: Based on figures from the Central Bank December 2019 Monthly Bulletin (Table 3.1.9)
(1) Canada included in Rest of Americas and Caribbean.
(2) Includes Belgium, Luxembourg, France, Holland and other countries in the EU.
(3) Includes the European Free Trade Association and other countries in Europe.
(4) Includes Hong Kong and other countries in Asia.
(5) Includes Africa, Oceania, other countries and international postal traffic.

Foreign Direct Investment

Ecuador's foreign direct investment policy is governed largely by national implementing legislation for the Andean Community's Decisions 291 of 1991 and 292 of 1993. Generally, foreign investors enjoy the same rights Ecuadorian national investors have to form companies. Foreign investors may own up to 100% of a business entity in most sectors without prior Government approval, and face the same tax regime.

Currency transfers overseas are unrestricted with respect to earnings and profits distributed abroad resulting from registered foreign investment provided that obligations relating to employee revenue sharing and relevant taxes, as well as other corresponding legal obligations, are met.

Certain sectors of the Ecuadorian economy are reserved for the state. All foreign investment in petroleum exploitation and development in Ecuador must be carried out under contracts with the Ministry of Energy and Non-Renewable Natural Resources (formerly with the then Secretariat of Hydrocarbons of Ecuador).

Foreign direct investment reached U.S.$772.4 million, U.S.$1,322.7 million and U.S.$769.0 million in 2014, 2015 and 2016, respectively. In 2017, foreign direct investment reached U.S.$618.8 million, a decrease compared to the U.S.$769.0 million in 2016. This decrease was principally due to a U.S.$158.0 million decrease in the shares and other equity security interest account and a U.S.$39.4 million decrease in reinvested earnings. In 2017, the manufacturing sector represented the largest percentage of foreign direct investment with 23.3% of all investment; agriculture, forestry, hunting and fishing, and commerce followed representing 20.1% and 16.5% of foreign direct investment, respectively.

In 2018, foreign direct investment reached U.S.$1,410 million, an increase compared to U.S.$618.4 million in 2017. This increase was principally due to a positive net flow of debt between related companies where service of the debt outpaced amortization. In 2018, the mining and oil sectors represented the largest percentage of foreign direct investment with 52.4% of all investment; commerce and services rendered to businesses followed representing 14.3% and 11.9% of foreign direct investment, respectively.

For the third quarter of 2019, foreign direct investment reached U.S.$127.9 million, a decrease compared to U.S.$297.4 million for the third quarter of 2018. This decrease was principally due to a U.S.$66.9 decrease in equity investment in shares of stock and a U.S.$6.1 decrease in reinvested earnings. In the nine months ended September 30, 2019, the mining and oil sectors represented the largest percentage of foreign direct investment with 58.9% of all investment; manufacturing and services rendered to businesses followed representing 14.9% and 11.5% of foreign direct investment, respectively.

The following table sets forth information regarding foreign direct investment by sector for the periods indicated.

Foreign Direct Investment by Sector
(in millions of U.S.$, and as a % of total foreign direct investment)

	For the Year Ended December 31										For the period ended September 30,	
	2014		2015		2016		2017		2018		2018	2019
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	U.S.$
Agriculture, forestry, hunting and fishing	38.9	5.0	67.8	5.1	42.0	5.6	124.6	19.9	59.4	4.1	50.8	37.8
Commerce [1]	148.1	19.1	175.2	13.2	123.0	16.3	100.6	16.1	200.0	13.7	143.8	28.3
Construction	4.7	0.6	6.8	0.5	30.5	4.0	59.1	9.5	89.0	6.1	63.7	-14.9
Electricity, gas and water	(4.7)	-0.6	61.8	4.6	1.2	0.2	2.1	0.3	6.6	0.5	4.1	6.0
Petroleum [2]	685.3	88.2	559.8	42.0	465.8	61.7	68.5	11.0	773.5	53.1	316.7	359.5
Manufacturing	108.5	14.0	263.6	19.8	38.0	5.0	143.9	23.0	106.0	7.3	72.5	91.1
Social and personal services	14.0	1.8	(10.9)	-0.8	(2.0)	-0.3	(3.9)	-0.6	(1.5)	-0.1	0.1	-5.2
Services rendered to businesses	29.1	3.7	249.8	18.8	17.1	2.3	82.6	13.2	167.3	11.5	153.7	70.1
Transportation, storage and communications	(247.4)	-31.9	(42.7)	-3.2	39.0	5.2	47.1	7.5	55.7	3.8	45.4	38.1
Total	**776.6**	**100**	**1,331.3**	**100**	**754.7**	**100**	**624.6**	**100**	**1,455.9**	**100**	**850.7**	**610.8**

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the Third Quarter of 2019
(1) Commerce includes investment in commercial infrastructure and real estate.
(2) Includes mining and natural gas.

The 2008 Constitution contains certain principles relating to foreign investment, including promoting national and international investment, with priority being given to national investment and a complementary role being attributed to international investment; subjecting foreign investment to Ecuador's national legal framework and regulations; prohibiting expropriation without indemnification; limiting access to strategic sectors, which will remain under state control; providing for disputes relating to international agreements to be resolved in a regional (Latin American) forum; and preventing disputes between the Republic and private companies from becoming disputes between sovereigns. These principles are materialized in the enactment of the Production Code (see "*Economic and Social Policies—Production Code*") and Article 422 of the Constitution, which sets parameters for disputes relating to international agreements. For information relating to recent developments in international investment, see "*The Republic of Ecuador—Memberships in International Organizations and International Relations—Treaties and Other Bilateral Relationships*."

MONETARY SYSTEM

The Central Bank

The role of the Central Bank is to promote and contribute to the economic stability of the country. It acts as the manager of the public sector's accounts and provides financial services to all public sector institutions that are required to hold their deposit accounts in the Central Bank. Management of these accounts primarily involves transfer operations between entities, including from the Government to other entities, and transfers to accounts in other banks, both foreign and domestic. The Central Bank is also the central coordinator of the payment system. All domestic banks conduct their clearing operations through the Central Bank, and also use the bank to hold their liquidity reserves. In addition, the Central Bank monitors economic growth and economic trends. To accomplish this task, it has developed statistical and research methodologies to conduct analyses and policy recommendations on various economic issues.

The functions of the Central Bank were sharply reduced as a result of the Dollarization Program. It no longer sets monetary policy or exchange rate policy for Ecuador. Instead, the Ecuadorian economy is currently directly affected by the monetary policy of the United States, including U.S. interest rate policy. The Ecuadorian Economic Transformation Law, which made the U.S. dollar legal tender in Ecuador, provided for the Central Bank to exchange, on demand, sucres at a rate of 25,000 sucres per U.S.$1. The law also prohibited the Central Bank from incurring any additional sucre-denominated liabilities, and required that the Central Bank redeem sucre coins and bank notes for U.S. dollars.

Pursuant to the 2008 Constitution, the role of the Central Bank has changed further in that its authority and autonomy have decreased. Currently, the main functions of the Central Bank are to execute Ecuador's monetary policy, which involves managing the system of payments, investing International Reserves, managing the liquidity reserve, and acting as depositary of public funds and as a fiscal and financial agent for the Republic. The Central Bank also sets policy and strategy design for national development, executes the Republic's macroeconomic program, and maintains financial statistics, which it publishes in monthly bulletins.

On August 12, 2015, after the Monetary and Financial Law abolished the position of president of the Central Bank, the Central Bank named Diego Martínez as its General Manager. On May 23, 2017, President Moreno named Verónica Artola Jarrín as General Manager of the Central Bank. According to the Monetary and Financial Law, the Committee of Monetary and Financial Policy Regulation is comprised of the Minister of Economy and Finance, the Minister for National Planning, a Minister who is designated by the President to serve on the Committee as the representative of the productive sector, and a delegate appointed by the President. The Superintendent of Banks, the Superintendent of Companies, Securities and Insurance, the Superintendent of Popular Economy, the General Manager of the Central Bank and the Chairman of the Board of Directors of the Deposit Insurance Corporation, Liquidity Fund and Private Insurance Fund may attend committee meetings but have no right to vote. Under the supervision of this committee, the General Manager oversees operations of the Central Bank, which operates through the office of the Vice General Manager in Quito and two other branches in Cuenca and Guayaquil.

The Monetary and Financial Law also establishes the role and structure of public banks, including the Government-owned Ecuadorian Development Bank, formerly denominated, *Banco del Estado*. Since 1979, the role of the Ecuadorian Development Bank has been to finance Government investment and infrastructure projects through loans to municipalities and provinces and to grant loans to municipalities and provinces. In 2017, the Ecuadorian Development Bank made a total of approximately over U.S.$505.96 million in disbursements to Ecuador's Autonomous Decentralized Governments. In 2018, the Ecuadorian Development Bank made a total of approximately over U.S.$420.7 million in disbursements to Ecuador's Autonomous Decentralized Governments. During the period from January 1, 2019 through December 31, 2019, the Ecuadorian Development Bank made a total of U.S.$576.3 million in disbursements to Ecuador's Autonomous Decentralized Governments.

On January 8, 2016, the Central Bank issued U.S.$200 million in bonds governed by Ecuadorian law. The bonds were issued to several of Ecuador's municipalities as payment for value added tax amounts owed to the

municipalities by the Ministry of Economy and Finance as well as for payment to third party contractors with which Ecuador had accounts payable.

On November 24, 2016, the Monetary and Financial Policy and Regulation Board issued Resolution No. 302-2016-F amending Resolution No. 273-2016-F by increasing from 2% to 5% the reserves that financial institutions with more than U.S.$1.0 billion in assets are required to hold at the Central Bank.

As of October 23, 2017, the Ministry of Economy and Finance stated that on January 16, 2017, it entered into payment agreements for around U.S.$786 million in *Títulos del Banco Central* ("Central Bank Certificates") with representatives of the Autonomous Decentralized Governments to arrange for payment of the amounts owed to them.

As of December 31, 2017, Ecuador's International Reserves totaled U.S.$2,451.1 million, a decrease compared to December 31, 2016 when International Reserves totaled U.S.$4,258.8 million. The decrease in International Reserves during the 12-month period ending in December 31, 2017 compared to the period ending in December 31, 2016 was mainly due to a decrease in investments, term deposits and securities. As of December 31, 2018, Ecuador's International Reserves totaled U.S.$2,676.5 million, an increase from December 31, 2017 when International Reserves totaled U.S.$2,451.1 million. The increase in International Reserves during the 12-month period ending in December 31, 2018 compared to the period ending in December 31, 2017 was mainly due to an increase in the net income of oil exports and the net payment of external public debt, which allowed to offset the net outflow of the private financial sector (mainly due to goods and services imports) by U.S.$2,091 million, the non-oil imports of the public sector and payments in arbitral awards by U.S.$1,927 million, and net cash withdrawals from the financial system by U.S.$589 million. As of November 30, 2019, Ecuador's International Reserves totaled U.S.$3,178.7 million, an increase from November 30, 2018 when International Reserves totaled U.S.$2,382.2 million. This increase in International Reserves was principally due to a higher net income from crude oil exports than money transfers from oil derivatives imports resulting in a net increase in international reserves of U.S.$2,040 million, and a U.S.$1,717 million increase in public external debt during the period; with this increase in the inflow of money partly offset by a net increase in money transfers abroad from the public and private financial sectors, in the amounts of U.S.$1,489 million and U.S.$1,055 million, respectively, and to net cash withdrawals from the financial system totaling U.S.$415 million. As of December 31, 2019, Ecuador's International Reserves totaled U.S.$3,397.1 million, a 26.9% increase from December 31, 2018 when International Reserves totaled U.S.$2,676.5 million, and a 6.9% increase from November 30, 2019, when International Reserves totaled U.S.$3,178.7 million.

As of November 30, 2019, Ecuador's International Reserves totaled U.S.$3,178.7 million, a 22.4% decrease from October 31, 2019. As of October 31, 2019, Ecuador's International Reserves totaled U.S.$4,097.8 million, a 20.1% decrease from September 30, 2019. As of September 30, 2019, Ecuador's International Reserves totaled U.S.$5,130.4 million, a 34.7% increase from August 31, 2019.

On October 18, 2019, President Moreno presented before the National Assembly the draft Law on Economic Development which, among other reforms, was aimed at reforming certain aspects of Ecuador's financial laws and regulations to, among other objectives, (i) enhance fiscal sustainability establishing stricter budget controls and (ii) strengthen dollarization by enhancing the Central Bank's autonomy, see "*The Republic of Ecuador—Recent Measures by President Moreno*". On November 17, 2019, the National Assembly voted to reject the draft Law on Economic Development. In response, on November 21, 2019, President Moreno presented the draft Organic Law on Tax Simplification, replacing the draft Law on Economic Development with respect to certain aspects of the intended tax reform. The Organic Law on Tax Simplification was first approved by the National Assembly on December 9, 2019, and after a Presidential partial veto, it was finally approved on December 30 and became effective on December 31, 2019, see ""*The Republic of Ecuador—Recent Measures by President Moreno*."

The Government indicated in its Updated Memorandum of Economic and Financial Policies presented to the IMF on December 11, 2019, that it is currently studying a new draft law modifying certain aspects of the banking and monetary reforms intended under the draft Law on Economic Development. Presentation to the National Assembly of amendments to the Public Planning and Finance Code are expected by the end of February 2020, and presentation of amendments to the Organic Monetary and Financial Law, after consultation with various

stakeholders and building consensus, are expected by April 2020, see "*Public Debt—IMF's Extended Fund Facility*."

Financial Sector

Supervision of the Financial System

The financial sector consists of various financial institutions, insurance companies, and the securities markets, in accordance with the Monetary and Financial Law. In accordance with the Monetary and Financial Law, the Committee of Monetary and Financial Policy Regulation regulates (1) all private sector financial institutions including banks and credit card issuers, (2) public sector and private financial institutions, with respect to their solvency, liquidation, financial prudence and other administrative matters, (3) insurance and re-insurance companies, and (4) the securities markets. In addition, the Committee of Monetary and Financial Policy Regulation provides general oversight and regulation for the financial system, including the Central Bank, the Superintendent of Banks, COSEDE, the Liquidity Fund, and private banks.

The Ecuadorian financial system is composed of the Central Bank, private commercial banks, cooperative banks, and several state development and state-owned banks.

The Monetary and Financial Law permits the establishment of universal banks (banks that can offer all types of banking services), and provides for the equal treatment of foreign and domestic financial institutions. Ecuadorian financial institutions may, with authorization from the Superintendent of Banks, establish foreign offices and invest in foreign financial institutions. Foreign subsidiaries of Ecuadorian financial institutions must also conform to the guidelines established by the Monetary and Financial Law, in order to promote prudent banking and investment policies, and ensure financial solvency. Each year, external auditors must provide opinions regarding capital adequacy, concentration of loans, interested debtors, and asset classifications on both unconsolidated and consolidated bases for all Ecuadorian banks. The Republic has structured its guidelines under the Monetary and Financial Law so as to be consistent with the banking supervision guidelines established by the Basel Committee on Banking Supervision.

The Monetary and Financial Law designates the Superintendent of Banks as the principal regulatory authority for the Republic's financial system. The Superintendent of Banks is tasked primarily with prudential matters including capital adequacy, liquidity earnings, management risks, and the solvency and risk asset quality of financial institutions.

The Monetary and Financial Law creates the Committee of Monetary and Financial Policy Regulation to oversee and regulate the execution of monetary, foreign exchange, financial, insurance, and securities policies of the country. The committee replaces existing regulatory bodies, and also serves as an overall supervisory body to oversee the activities of the Republic's financial entities, including supervisory agencies such as the Superintendent of Banks. The committee is comprised of delegates from Ecuador's Ministry of Economy and Finance, the Ministry of Production and Industrialization, the National Secretary of Planning and Development, the Ministry of Economic Policy, and a delegate appointed by the President. Among the principal functions of the committee are:

- the oversight and monitoring of the liquidity requirements of Ecuador's financial system, with the objective of ensuring that liquidity remains above certain levels (to be determined by the Committee of Monetary and Financial Policy Regulation);
- the auditing and supervision of the Central Bank and Superintendent of Banks;
- the establishment of regulations for the Republic's electronic payment system; and
- the oversight of borrowing requirements for private loans.

Since the crisis in the banking system during the late 1990s, during which a number of banks became insolvent, the Superintendent of Banks has worked to improve banking supervision standards. Since 2001, the Superintendent of Banks has reformed the regulatory framework for banking supervision.

As part of the reforms, the Superintendent of Banks implemented measures that included the following:

- Programs for regulatory on-site audits and periodic reporting requirements. These are published in national newspapers, with the intention of ensuring that banks comply with regulatory standards;

- Uniform accounting risks for the financial system;

- Liquidity risk, which derives from the incapacity of financial institutions to cover their liabilities and other obligations when due, in both local and foreign currency;

- Evaluation of market risk based on interest rate risk, which refers to the potential losses of net income or in the capital base, due to the incapacity of the institution to adjust the return on its productive assets (loan portfolio and financial investment) with the fluctuations in the cost of its resources produced by changes in interest rates; and

- Evaluation of credit risk based on a detailed method for classifying financial assets in terms of risk.

This method increased the amounts which financial institutions are required to reserve in order to mitigate potential losses arising from their loans ("Loan-loss Reserve"). With respect to Loan-loss Reserve, current regulations impose reserve requirements based on risk categories and type of financial assets. These requirements have been introduced to bring them in line with international standards, and to increase the average quality of the financial system's loan portfolio. As of the date of this Offering Circular, Ecuador's solvency rules for financial institutions correspond to Basel I. As of the date of this Offering Circular, no time limit exists for banks in Ecuador to become compliant with Basel II or Basel III.

The following table sets forth information regarding the risk categories and Loan-loss Reserve requirements currently in force pursuant to Resolution No. 209-2016-F, of February 12, 2016 promulgated by the Committee of Monetary and Financial Policy and most recently updated by Resolution No. 358-2017-F, of April 28, 2017.

Risk Categories and Required Loan-loss Reserve
(in number of days past due, except for percentages)

Category [1]	Commercial [2]	Consumer	Mortgage	Small Business [3]	Loan-loss Reserve
A1	0	0	0	0	1%
A2	1-15	1-8	1-30	1-8	2%
A3	16-30	9-15	31-60	9-15	3% - 5%
B1	31-60	16-30	61-120	16-30	6% - 9%
B2	61-90	31-45	121-180	31-45	10% - 19%
C1	91-120	46-70	181-210	46-70	20% - 39%
C2	121-180	71-90	211-270	71-90	40% - 59%
D	181-360	91-120	271-450	91-120	60% - 99%
E	+360	+120	+450	+120	100%

Source: the Codification of Resolutions of the Board of Monetary and Financial Policy Regulations.

(1) Ecuador subdivides Categories A, B, and C into sub-categories. However, categories in chart are simplified for ease of presentation.

(2) For commercial loans, in addition to the number of days due, three factors are considered for classification among risk categories: (a) debtor payment capacity and financial situation; (b) experience of payment (risk information from the system, debtor's credit history); and (c) risk of the economic environment.

(3) Classified, with respect to (a) retail microcredit, as loans up to U.S.$1,000, (b) microcredit simple accumulation, as loans from U.S.$1,000 to U.S.$10,000, (c) microcredit extended accumulation, as loans in excess of U.S.$10,000 and (d) agricultural microcredit. Persons with annual sales equal to or less than U.S.$100,000, or groups of lenders guaranteeing or financing small scale production or commercialization are eligible for microcredit loans.

The following table sets forth information regarding loans of the banking system by risk category as of November 30, 2019.

Classification of Aggregate Assets of the Ecuadorian Private Banking System [1]
(as a % of total loans)

	As of November 30, 2019			
Category	Commercial loans	Consumer loans	Mortgage loans	Small business
A	80.00	93.95	95.97	94.78
B	13.70	1.77	1.93	1.37
C	4.84	1.60	0.59	1.03
D	0.43	0.69	0.83	0.62
E	1.02	1.99	0.69	2.20
Total	**100**	**100**	**100**	**100**

Source: Superintendent of Banks as of November 2019. Based on data from private banks.

(1) As of the date of this Offering Circular, Banks must hold 60% of total liquidity in Ecuador.

The Financial Safety Net

Former President Correa's administration determined that the financial safety net in place when he took office was insufficient, as there was no lender of last resort. In many countries, the central bank acts as the lender of last resort. Due to Ecuador's Dollarization Program, however, the Republic's lending capacity was limited to the *Fondo de Liquidez del Sistema Financiero Ecuatoriano* ("Liquidity Fund"). Former President Correa's administration believed that the lack of a strong lender of last resort increased the risks to the financial system, and decreased liquidity within the system.

In light of these perceived deficiencies, the Government passed the Financial Safety Net Law in December 2008. The new law created a four-tiered framework for the banking sector. These four tiers are described below.

Lender of Last Resort

In accordance with the Financial Safety Net Law, this was designed to strengthen the Liquidity Fund, the Liquidity Fund acts as the lender of last resort for private financial institutions. As of December 31, 2017, the Liquidity Fund consisted of approximately U.S.$2,625.14 million, an increase compared with December 31, 2016,

when the Liquidity Fund totaled U.S.$2,457.57 million. Of the U.S.$2,625.14 million in the Liquidity Fund at the end of December 31, 2017, U.S.$2,517.22 million corresponded to private financial institutions and U.S.$107.92 million corresponded to financial institutions formed under the *Ley Orgánica de Economía Popular y Solidaria* ("Law of Popular and Solidary Economy") consisting of segments from society including the community, voluntary, and cooperative sectors. Factors contributing to this increase included contributions from private financial institutions and financial institutions formed under the Law of Popular and Solidary Economy. As of December 31, 2018 the Liquidity Fund consisted of approximately U.S.$2,807.61 million, a 6.95% increase compared with December 31, 2017, when the Liquidity Fund totaled U.S.$2,625.14 million. Of the U.S.$2,807.61 million in the Liquidity Fund as of December 31, 2018, U.S.$2,645.83 million corresponded to private financial institutions and U.S.$161.78 million corresponded to financial institutions formed under the Law of Popular and Solidary Economy. A major factor contributing to this increase was the growth in the contributions of the popular and solidarity system. As of November 30, 2019, the Liquidity Fund consisted of approximately U.S.$2,998.51 million, an increase of U.S.$249.7 million compared with November 30, 2018, when the Liquidity Fund amounted to U.S.$2,748.8 million. Of the U.S.$2,998.5 million in the Liquidity Fund as of November 30, 2019, U.S.$2,775.1 million corresponded to private financial institutions and U.S.$223.4 million corresponded to popular and solidarity financial institutions.

The Liquidity Fund is overseen by the Superintendent of the Banks and administered by the Central Bank. The assets of the Liquidity Fund are subject to sovereign immunity and cannot be subject to attachment of any kind.

Banking Resolution System

The second tier of the Financial Safety Net Law is the creation of a banking resolution scheme called *Exclusión y Transferencia de Activos y Pasivos* ("Exclusion and Transfer of Assets and Liabilities" or "ETAP"). Under ETAP, healthier labor contingencies, deposits and assets can be excluded from the balance sheet of a troubled banking institution and transferred to a newly created entity or to one or more healthier banking institutions. This policy is intended to separate good assets from non-performing assets and create an efficient and orderly banking resolution process.

Deposit Insurance

The third tier of the Financial Safety Net Law consists of the establishment of COSEDE. The COSEDE is the successor to the Deposit Guarantee Agency, which was previously responsible for insuring the accounts of depositors in Ecuador's banking systems. In December 1998, the AGD was created as a response to the banking crisis by the *Ley de Reordenamiento en Materia Económica en el Área Tributario-Financiera* ("Law Reorganizing Economic Matters in the Tax and Finance Areas"). The AGD had a dual role: to oversee the amounts the Republic deposited with the Central Bank in order to protect depositors, and to help restructure banks in liquidation.

In December 2009, the AGD closed. The net assets of the AGD were then temporarily transferred to the Ministry of Economy and Finance and to COSEDE and thereafter transferred to the CFN, a separate Government institution. The Deposit insurance administered by COSEDE had assets of U.S.$1,009 million, U.S.$1,236 million, U.S.$1,452 million, U.S.$1,678 million and U.S.$1,912 million as of December 31, 2014, 2015, 2016, 2017 and 2018, respectively. As of November 30, 2019, COSEDE had assets corresponding to its administration of deposit insurance funds from various financial institutions of U.S.$2,170.6 million, an increase from 1,881.2 million as of November 30, 2018.

In accordance with the Financial Safety Net Law, and Resolution JB-2009-1280, COSEDE administers the private financial institutions insurance deposit system, which does not include any public banking institution. COSEDE insures deposits of up to U.S.$32,000 per account, whereas the AGD guaranteed accounts with public resources without limit. Pursuant to the Financial Safety Net Law, banks are required to contribute to COSEDE an amount determined annually in accordance with the total amount of deposits held. Under the Monetary and Financial Law, deposits in the COSEDE are subject to sovereign immunity and cannot be subject to attachment of any kind.

Superintendent of Banks

Under the fourth tier of the Financial Safety Law, the Superintendent of Banks is authorized to increase the capital and reserves requirement of banking institutions.

The Financial System

The following table sets forth, by type, the number of financial institutions in the Ecuadorian financial system for the periods indicated.

Number of Financial Institutions

	As of December 31,					As of November 30[3],	
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019**
Banks	24	22	23	24	24	24	24
National banks	23	21	22	23	23	23	23
Private	22	20	21	22	22	22	22
Government-owned banks	1	1	1	1	1	1	1
Foreign banks	1	1	1	1	1	1	1
Other financial entities	54	41	37	33	38	38	40
Savings and loans associations[1]	37	24	25	26	31	31	33
Small lending institutions	4	4	4	4	4	4	4
Financial institutions	9	10	5	0	0	0	0
Public banks	4	3	3	3	3	3	3
Insurance companies[2]	40	39	37	33	31	31	31
Insurance companies	38	37	35	32	30	30	30
Reinsurance companies	2	2	2	1	1	1	1
Credit-card issuing entities	2	1	0	0	0	0	0
Total	**120**	**103**	**97**	**90**	**93**	**93**	**95**

Source: Superintendent of Banks as of November 2019.

(1) Savings and Loans Associations include the *Cooperativas de Ahorro y Crédito de Primer Piso, del Segmento 1.* On February 13, 2015, the Committee of Monetary and Financial Policy passed Resolution 038-2015-F, which set out parameters for the division of savings and loans associations into 5 categories, setting the minimum threshold for inclusion in Category 1 at entities with assets above U.S.$80 million. This threshold will be reviewed by the Committee of Monetary and Financial Policy Regulation on an annual basis.

(2) Insurance companies figures from Superintendent of Companies.

(3) Except as otherwise indicated.

Banking System

Overview

As of November 30, 2019, the Ecuadorian banking system had a total of 24 banking institutions, of which one was a foreign bank operating in Ecuador and one was a state-owned commercial bank. The decrease in the total amount of banking institutions and other financial entities, excluding insurance companies, from 78 in 2014 to 62 in 2016 in the above chart reflects a decrease in the number of financial institutions. Total assets of the banking system increased from U.S.$33.6 billion in 2014 to U.S.$30.9 billion in 2015. As of December 31, 2017, the assets for the banking system totaled U.S.$38,975 million, an increase of 9.5% since December 31, 2016. As of December 31, 2018, the assets of the banking system totaled U.S.$40,984 million, an increase of 5.15% from U.S.$38,975 million as of December 31, 2017. This increase was principally due to an increase in the loan portfolio of U.S.$2,656 million. As of November 30, 2019, the assets of the banking system totaled U.S.$42,888 million, an increase of 7.55% from U.S.$39,879 million as of November 30, 2018. This increase was principally due to a U.S.$2,340 million or 9.2% increase in the loan portfolio. As of December 31, 2019, the assets of the banking system totaled U.S.$44,583 million, which increased from U.S.$40,984 million as of December 31, 2018.

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

Banking System

	As of December 31,					
	2014	**2015**	**2016**	**2017**	**2018**	**2019**
Total assets (in billions of U.S. dollars).....	33.6	30.9	35.6	39.0	41.0	44.6
Non-performing loans (as % of total loans).....	1.33%	1.45%	1.34%	1.21%	2.6%	2.73%

Source: Superintendent of Banks as of December 2019.

The following table sets forth deposit information for the private banking system on the dates indicated.

Private Bank Deposits
(in millions of U.S.$, except for percentages)

	Demand Deposits	**Time Deposits**	**Total Time and Demand Deposits[1]**	**Annual growth rate of Time and Demand Deposits**
December 31, 2014.....	19,014	7,861	26,875	11%
December 31, 2015.....	15,889	7,402	23,291	-13%
December 31, 2016.....	19,166	8,309	27,475	18%
December 31, 2017.....	19,912	9,440	29,352	7%
December 31, 2018.....	19,457	10,388	29,845	2%
December 31, 2019.....	19,764	12,374	32,138	7.7%

Source: Superintendent of Banks as of December 2019.
(1) Total does not include reported operations, guarantee deposits and restricted deposits.

Banking deposits, primarily composed of demand deposits and time deposits, constitute the principal source of financing for the banking system. From December 31, 2014 through December 31, 2018, total time and demand deposits increased 9.2%, from U.S.$26,875 million to U.S.$29,352 million. As of December 31, 2018, time and demand deposits totaled U.S.$29,845 million, an increase of 1.7% compared to December 31, 2017. This increase was principally due to an increase in time deposits of U.S.$948 million. As of November 30, 2019, private banks' time and demand deposits totaled U.S.$30,668 million, an increase of 4.7% compared to November 30, 2018. This increase was principally due to an increase in time deposits of U.S.$1,540 million. As of December 31, 2019, private banks' time and demand deposits totaled U.S$32,138.0 million, an increase compared to U.S.$29,845 million as of December 31, 2018.

The majority of funding for the Ecuadorian banking system is comprised of demand deposits, which increased 4.7% from U.S.$19,014 million in 2014 to U.S.$19,912 million in 2017. Time deposits increased 20.1% from U.S.$7,861 million in 2014 to U.S.$9,440 million in 2017. As of December 31, 2018, time deposits totaled U.S.$10,388 million, an increase of 10.0% since December 31, 2017. This increase was principally due to an increase in time deposits with a 180 and 360 days term. As of November 30, 2019, private bank's time deposits totaled U.S.$12,069 million, an increase of 14.6% since November 30, 2018. This increase was mainly due to a 23.89% increase in time deposits with a 181 and to 360 days term and a 17.9% increase in time deposits with a 91 to 180 days term. As of December 31, 2019, private bank's time deposits totaled U.S.$12,374.4 million, an increase from U.S.$10,388 million as of December 31, 2018.

Foreign banks and financial institutions are also a source of liquidity in the Ecuadorian banking system. As of December 31, 2017 the balance of foreign liabilities in the banking sector amounted to approximately U.S.$564 million, which is an increase from the balance of foreign liabilities in December 31, 2016, which was U.S.$506 million. As of December 31, 2018, the balance of foreign liabilities in the banking sector amounted to approximately U.S.$1,799 million, which is an increase of 12.9% from the balance of foreign liabilities in December 31, 2017, which was U.S.$1,593 million. As of November 30, 2019, the balance of foreign liabilities in the banking sector amounted to approximately U.S.$2,391.6 million, which is an increase of 46.8% from the balance of foreign liabilities in November 30, 2018, which was U.S.$1,628.7 million. As of December 31, 2019, the balance of foreign liabilities in the banking sector amounted to approximately U.S.$2,512 million, which increased compared to the balance of foreign liabilities as of December 31, 2018, which was U.S.$1,799 million.

The following table sets forth information regarding the principal sources of financing with respect to total liabilities as of the dates indicated.

Classification of the Main Financing Accounts with Respect to Liabilities

(as % of total liabilities)

	Demand deposits	Time deposits	Foreign financing
December 31, 2014	62	26	2
December 31, 2015	58	27	5
December 31, 2016	60	26	5
December 31, 2017	57	27	5
December 31, 2018	53	29	5
December 31, 2019	50	31	6

Source: Superintendent of Banks as of December 2019.

The following table sets forth information regarding the allocation of principal asset accounts, with respect to total assets of the banking system as of the dates indicated.

Allocation of the Principal Asset Accounts with Respect to Total Assets of the Banking System

(as a % of total assets)

	Portfolio of current loans	Investments
December 31, 2014	54.7	14.0
December 31, 2015	56.7	14.4
December 31, 2016	53.4	14.4
December 31, 2017	58.7	14.7
December 31, 2018	65.0	13.1
December 31, 2019	65.5	14.0

Source: Superintendent of Banks as of November 2019.

As of December 31, 2017, the banking system represented 81.9% of the total assets of the private financial system. The banking system, for the year ended December 31, 2017, generated a profit of U.S.$396 million, which according to data from the Superintendent of Banks represented 0.4% of Ecuador's nominal GDP and an increase compared to U.S.$222 million as of December 31, 2016. The banking system strengthened between 2016 and 2017, and its assets expanded by 9.5% due to an increase in the net loan portfolio.

As of December 31, 2018, the banking system represented 79.65% of the total assets of the private financial system. The banking system, for the year ended December 31, 2018, generated a profit of U.S.$553.8 million, which according to data from the Superintendent of Banks represented 0.51% of Ecuador's nominal GDP and an increase compared to U.S.$395.8 million as of December 31, 2017. The banking system strengthened between 2017 and 2018, and its assets expanded by 5.15% due to an 11.60% increase in the loan portfolio.

As of November 30, 2019, the banking system represented 77.5% of the total assets of the private financial system. For the period ended in November 30, 2019, the banking system made a profit of U.S.$560.0 million compared to U.S.$504.3 million for the same period in 2018. This increase was mainly due to the growth in the amount of interest received and discounts earned as compared to the amount of interest paid and discounts granted.

As of November 30, 2019, the assets of the banking system totaled U.S.$42,888 million, an increase of 7.55% from U.S.$39,879 million as of November 30, 2018. This increase was principally due to a U.S.$2,340 million or 9.2% increase in the loan portfolio. As of December 31, 2019, the assets of the banking system totaled U.S.$44,583 million, which increased from U.S.$40,984 million as of December 31, 2018.

Ecuador's banks use their resources primarily to extend loans. Between 2014 and 2018, the Ecuadorian banking system's total loan portfolio increased by U.S.$7,522 million (39.41%) and past due loans increased by U.S.$152 million (26.92%). Financial entities may not carry out active and contingent operations with the same natural or legal person for an amount that exceeds, in aggregate, 10% of the technical equity of the entity. This limit will be raised to 20% if what exceeds 10% corresponds to obligations secured by guarantee. In no case may the appropriate guarantee have a value lower than the total value of the excess. The set of operations of the previous

subparagraph may not in any case exceed two hundred percent (200%) of the patrimony of the subject of credit, unless there are adequate guarantees that cover, in excess of at least one hundred and twenty percent (120%).

The following table identifies the loans made to the private sector from the private banking sector, and the deposits of the private banking sector as of the dates indicated.

Loans to the Private Sector and Private Bank Deposits
(in millions of U.S.$)
As of December 31, 2019

Loans		Deposits	
Commercial,[1] Productive and Consumer Loans	25,220	Demand Deposits	19,764
Microenterprise Loans	2,010	Time Deposits	12,374
Education Loans	413	Guarantee Deposits	1
Real Estate and Public Housing Loans	2,386	Others	1,539
Total	**30,029**	**Total**	**33,678**

Source: Superintendent of Banks as of December 2019.
[1] Commercial loans refers to both the priority and ordinary loan portfolios under Ecuadorian banking regulation.

The following table sets forth information regarding the banking system's loan portfolio as of the dates indicated.

Banking System Loan Portfolio Balances
(in millions of U.S.$, except for percentages)

	Current loans	Past-due loans [1]	Total loan portfolio	Current loans as a percentage of the total loan portfolio	Past-due loans as a percentage of the total loan portfolio
December 31, 2014	19,087	565	19,652	97.1%	2.9%
December 31, 2015	18,086	687	18,773	96.3%	3.7%
December 31, 2016	19,654	721	20,375	96.5%	3.5%
December 31, 2017	23,873	728	24,601	97.0%	3.0%
December 31, 2018	26,609	717	27,325	97.4%	2.6%
December 31, 2019	29,209	821	30,029	97.3%	2.7%

Source: Superintendent of Banks as of December 2019.
(1) Past-due loans are classified by economic sector. Commercial past-due loans are classified as loans 31 days overdue, consumer past-due loans are classified as loans 16 days overdue, real estate past-due loans are classified as loans 61 overdue, and microcredit past-due loans are classified as loans 16 days overdue. Non-interest accruing loans are also included in past-due loans.

In 2014, the delinquency rate increased to 2.9% from 2.6% in 2013, as a result of the increase in delinquency rates in consumer credits from 4.7% to 5.5%. In 2015, the delinquency rate increased to 3.7% due to the increase in delinquency rates in commercial credits from 12.7% to 14.3% as well as the decrease in the total loan portfolio. In 2016, the delinquency rate on loans from the private banking sector decreased to 3.5% as a result of a U.S.$166.2 million decrease in the delinquency rate on consumer loans. In 2017, the delinquency rate on loans from the private banking sector decreased to 3%. As of December 31, 2018, the delinquency rate decreased to 2.62% compared to the 2.96% delinquency rate as of December 31, 2017. This decrease was principally due to a 14.31% decrease in past-due loans (not including the portfolio of loans that do not accrue interest), while the total gross loan portfolio increased by 11.08%. As of November 30, 2019, the delinquency rate decreased to 3.05% compared to the 3.10% delinquency rate as of November 30, 2018. This decrease was principally due to a more significant growth in the productive loan portfolio (a 9.0% increase) than the growth of the unproductive loan portfolio (a 7.2% increase). As of November 30, 2019, 45.8% of all current loans were commercial, 38.2% were consumer, 8.0% were housing, 6.6% were microcredit and 1.4% were education related. As of December 31, 2019, 45.8% of all current loans were commercial, 38.34% were consumer, 7.9% were housing, 6.6% were microcredit and 1.4% were education related.

As of December 31, 2018, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.$31,257 million, an increase from the U.S.$30,689 million as of December 31, 2017. As of November 30, 2019, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.$32,177 million, an increase from the U.S.$30,608 million as of November 30, 2018. As of December 31, 2019, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.$33,678 million, an increase from the U.S.$31,257 million as of December 31, 2018.

Total current loans to the private sector from the private banking sector increased from U.S.$23,873 million as of December 31, 2017 to U.S.$26,609 million as of December 31, 2018. Total current loans to the private sector from the private banking sector increased to U.S.$28,687 million as of November 30, 2019. Total current loans to the private sector from the private banking sector increased from U.S.$26,609 million as of December 31, 2018, to U.S.$29,209 million as of December 31, 2019.

The following table sets forth information regarding the number of past-due loans in different sectors of the economy as of the dates indicated.

Past due loans by sector of the economy
(in millions of U.S.$, and as a percentage of past due loans)

	As of December 31,											
	2014		**2015**		**2016**		**2017**		**2018**		**2019**	
	U.S. $	%	U.S.$	%	U.S. $	%	U.S.$	%	U.S.$	%	U.S.$	%
Commercial	72	12.7	98	14.3	117	16.2	118	15.6	93	13.0	103	12.5
Consumer	383	68.0	438	63.7	428	59.3	448	61.6	466	65.0	534	65.4
Real estate	31	5.3	39	5.6	59	8.1	61	8.4	64	9.0	71	8.7
Microcredit	79	13.8	90	13.1	97	13.5	79	10.9	86	12	94	11.5
Education[(1)]	-	-	22	3.2	20	2.8	21	2.9	3	0.4	7	0.9
Total	**565**	**100**	**687**	**100**	**721**	**100**	**728**	**100**	**717**	**100**	**821**	**100**

Banking Sector

The first, second and third largest banks by assets value in Ecuador are Banco del Pichincha, Banco del Pacífico and Produbanco, respectively. As of December 31, 2019, the three banks accounted for about 47.4% of the reported combined income and 50.9% of Ecuador's banking assets. Return on equity for these three banks averaged 13.9% as of December 31, 2019, a decrease of 1.1% compared to December 31, 2018, while net profit for these three banks increased from U.S.$280.0 million in 2018 to U.S.$292.0 million as of December 31, 2018.

Banco del Pacífico is 100% owned by the Republic, having been taken over from private shareholders during the banking crisis in 1999 and its shares transferred to the Central Bank. During 2010 and 2011 there had been discussions relating to the re-privatization of Banco del Pacífico, however, these plans were abandoned in 2011 when ownership was transferred from the Central Bank to CFN. As of December 31, 2017, Banco del Pacífico had approximately U.S.$5,452 million in assets. Its profits increased in 2017 when compared to 2016 from U.S.$40.00 million in 2016 to U.S.$70.23 million in 2017. As of December 31, 2019, Banco del Pacífico had approximately U.S.$6,082 million, an increase compared to U.S.$5,534 million as of December 31, 2018,. According to the Superintendent of Banks, Banco del Pacífico's profits were U.S.$100.3 million for each of the years ended December 31, 2019, and December 31, 2018.

Pacific National Bank was Banco del Pacífico's U.S. subsidiary, based in Miami. Pacific National Bank had approximately U.S.$355 million in assets, including U.S.$154 million in loans (mostly commercial real estate), U.S.$163 million in securities and U.S.$3.6 million in repossessed property. In 2011, the bank was fined U.S.$7 million by U.S. banking regulators for violations of the U.S. Bank Secrecy Act ("BSA") and anti-money laundering laws. In 2012, the Federal Reserve Bank of the United States placed Banco del Pacífico's shares in Pacific National Bank under the control of a trustee and ordered the sale of the shares to a third party. According to the regulatory consent order transferring the shares to the trustee, the share transfer to the trustee and sale are not related to the violations of the BSA, but due to the transfer of ownership of Banco del Pacífico from the Central Bank to CFN in 2011, which according to U.S. banking regulations does not qualify as a holding company for a U.S. chartered bank. On October 21, 2013, the shares were sold to a group of private investors.

According to the Superintendent of Banks, as of December 31, 2018, approximately 2.47% of the profits in the banking sector came from Citibank N.A. Ecuador Branch which on that date was the only foreign bank operating in Ecuador. According to the Superintendent of Banks, as of December 31, 2019, approximately 2.9% of the profits in the banking sector came from Citibank N.A. Ecuador Branch, which on that date was the only foreign bank operating in Ecuador.

In March 2013, Banco Territorial S.A, one of the oldest banks in Ecuador with assets of U.S.$135 million, entered a liquidation process one week after its operations were suspended. Banco Territorial primarily provided services to small and medium-sized companies in Guayaquil and had approximately 79,000 depositors, with total deposits of approximately U.S.$122 million, or less than 1% of the total deposits in the private banking sector in Ecuador. As of December 31, 2015, COSEDE had paid U.S.$54.4 million to depositors, which represented the total amount owed to depositors.

In August 2014, the Superintendent of Banks formally announced that Banco Sudamericano S.A. will undergo a forced liquidation process due to a failure to meet adequate solvency and liquidity requirements. As of the date of this Offering Circular, the liquidator of Banco Sudamericano S.A. named by the Superintendent of Banks is considering the sale of its assets to use the proceeds to pay the debt owed to its creditors. Banco Sudamericano S.A. owned 0.55% of the total assets in the Ecuadorian banking system. As of December 31, 2016, COSEDE had paid U.S.$1.77 million to depositors and a formal liquidator was appointed. The liquidation process has been delayed due to the lack of information on certain accounts which is making it difficult to regularize its financial statements.

On October 11, 2014, Promerica Financial Corporation, a Nicaraguan banking conglomerate with operations in Ecuador, acquired Banco de la Producción Produbanco S.A., an Ecuadorian banking entity. At the time of the merger, Banco de la Producción Produbanco S.A. represented 9.5% of the Ecuadorian banking system, with U.S.$3,028 million in assets, while Promerica Financial Corporation represented 2.8% of the banking system with assets of U.S.$843.5 million.

In June 2016, the Superintendent of Banks announced that Proinco Sociedad Financiera S.A., a financial institution focusing on mortgage lending and micro-loans with approximately U.S.$42 million dollars in assets, would be liquidated as a result of its failure to comply with the relevant laws and regulations, including certain solvency requirements.

Cooperative Banks

In 2008, the Correa administration created the *Programa de Finanzas Populares* ("Program for Public Finance") to expand lending to smaller financial cooperatives, in order that they could increase lending to small businesses. These cooperatives extend micro-loans to individuals and businesses that could otherwise not obtain loans from commercial banks. In January 2008, cooperative loans were at 11.1% of total non-publicly owned bank lending. As of December 31, 2015, cooperative loans totaled U.S.$4,301 million. As of December 2017, cooperative loans totaled U.S.$5,295 million.

On February 13, 2015, the Committee of Monetary and Financial Policy passed Resolution 038-2015-F, which sets forth rules relating to the division of the savings and loan association sector as follows:

- Category 1: entities with assets above U.S.$80 million;
- Category 2: entities with assets between U.S.$20 million to U.S.$80 million;
- Category 3: entities with assets between U.S.$5 million to U.S.$20 million;
- Category 4: entities with assets between U.S.$1 million to U.S.$5 million; and
- Category 5: entities with assets below U.S.$1 million.

The threshold for Category 1 will be reviewed by the Committee of Monetary and Financial Policy Regulation on an annual basis. The additional four categories are set without further review by the Committee of Monetary and Financial Policy Regulation. Additional regulations applicable to each segment will be promulgated by the *Superintendencia de Economía Popular y Solidaria* (the "Superintendent of the Popular Economy", or "SEPS").

Capital Markets

Most of the trading on Ecuador's capital markets involves the purchase and sale of bank securities and fixed income Government securities. Since 2012, the issuance of corporate bonds has increasingly become an important financing alternative for companies and issuers in Ecuador that want longer terms than those available through bank loans. The Ecuadorian capital markets consist of the Quito Stock Exchange and the Guayaquil Stock Exchange (the "Ecuadorian Stock Exchanges"), both opened in 1969. As of October 31, 2019, the Ecuadorian Stock Exchanges combined listed the securities of approximately 392 issuers.

Issuers that subscribe to one exchange automatically become listed on the other exchange.

The Ecuadorian capital markets are regulated by the *Ley de Mercado de Valores* ("Capital Markets Law") and the Law to Strengthen and Optimize the Corporate and Securities Sector. Under these laws, the Ecuadorian Stock Exchanges are supervised by the *Superintendencia de Compañías, Valores y Seguros* (the "Superintendent of Companies, Securities and Insurance") while the Committee of Monetary and Financial Policy is responsible for formulating the general securities policies of the Ecuadorian capital markets and for providing general oversight of the securities markets.

As of December 31, 2016, U.S.$1,269.9 million worth of securities were traded in the secondary market, representing 15.2% of the Ecuadorian securities market. Repo trading represented 0.17% of the total market. As of December 31, 2017, U.S.$1,442.1 million worth of securities were traded in the secondary market, representing 21.8% of the Ecuadorian securities market. Repo trading represented 0.67% of the total market.

As of December 31, 2017, U.S.$1,442.1 million worth of securities were traded in the secondary market, representing 21.8% of the Ecuadorian securities market. Repo trading represented 0.67% of the total market. As of December 31, 2018, U.S.$1,219.6 million worth of securities were traded in the secondary market, representing 16.3% of the Ecuadorian securities market. Repo trading represented 0.5% of the total market. As of October 31, 2019, U.S.$1,092.1 million worth of securities were traded in the secondary market, representing 11.7% of the Ecuadorian securities market. Repo trading represented 0.3% of the total market.

Aggregate Amounts of Traded Securities
(in millions of U.S. dollars)

	As of December 31,					As of October 31,	
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019**
Repos	203.3	23.0	14.2	44.6	37.2	31.6	24.0
Other [(1)]	7,340.8	5,023.8	8,318,5	6,578.2	7,438.2	5,829.4	9,300.4
Total	**7,544.1**	**5,046.8**	**8,332.7**	**6,622.8**	**7,475.4**	**5,861.0**	**9324.4**

Source: *Bolsa de Valores de Guayaquil* ("Guayaquil Stock Exchange").
(1) Includes Government securities, bank securities, and commercial paper, among others.

In 2016, U.S.$8,332.7 million worth of securities were traded on the Ecuadorian Stock Exchanges, representing an increase compared to the U.S.$5,046.8 million of the securities traded in 2015. This increase was due to a greater placement of investment certificates and government issues.

In 2017, U.S.$6,622.8 million worth of securities were traded on the Ecuadorian Stock Exchanges, representing a decrease compared to the U.S.$8,332.7 million of securities traded in 2016. This decrease was due to a decrease in the amount of investment certificates, capital coupons, certificates of deposit, central bank securities and commercial paper.

As of December 31, 2018, U.S.$7,475.4 million worth of securities were traded on the Ecuadorian Stock Exchanges, representing an increase compared to the U.S.$6,622.8 million of securities traded as of December 31, 2017. This increase was due to an increase in the amount of state and corporate bonds, certificates of treasury and commercial invoices.

As of October 31, 2019, U.S.$9,324.4 million worth of securities were traded on the Ecuadorian Stock Exchanges, representing an increase compared to the U.S.$5,861.0 million of securities traded as of October 31, 2018. This increase was due to an increase in the amount of certificates of treasury, investment certificates, corporate bonds and commercial invoices.

Interest Rates and Money Supply

In July 2007, the *Ley del Costo Máximo Efectivo del Crédito* ("Maximum Actual Credit Cost Law") went into effect to establish a new system for the calculation of interest rates. The principal aspects of this law are:

- the prohibition on charging commissions for credit operations and prepayments;
- the prohibition on imposing any fee that is not in the nature of compensation for the rendering of a service; and
- in December 2007, a change in the methodology for calculating the maximum interest rate of the Central Bank, whose methodology has since been declared unconstitutional, and has been further amended so that the maximum rate equals interest rates of credit operations of private financial institutions in each relevant sector, multiplied by an amount determined by the Central Bank.

In April 2015, Resolution 043-2015-F was published in the Official Gazette and became effective, establishing new categories of credits in the financial system, totaling 10. The purpose of this Resolution is to promote socially and environmentally responsible consumption, to encourage value generating investment and improve the efficiency of the financial system. The new categories of credit in the financial system include: productive credits, ordinary commercial credits, priority commercial credits, ordinary consumption credits, priority consumption credits, education credits, public interest housing credit, real estate credits, microcredits and public investment credits. Changes from the prior categorization include the following:

- "productive credits" are defined as those credits for which at least 90% of funds are dedicated to acquisition of capital goods, construction of infrastructure project and the purchase of industrial property rights;
- "consumer credits" are divided into "ordinary consumer loans," for the acquisition or commercialization of light fossil fuel vehicles and "priority consumer loans," dedicated to the purchase of goods or services or expenses not related to productive activity or ordinary commercial activity;
- "commercial credits" are defined as "ordinary commercial credits," which are available to persons whose annual sales are higher than U.S.$100,000.00 that acquire or commercialize light fossil fuel vehicles and "priority commercial credits," which are available for the acquisition of goods and services for commercial and productive activities to persons whose annual sales are higher than U.S.$100,000.00; and
- "education credits," which are available to individuals and accredited institutions to finance education and vocational or technical training, were introduced.

In addition to the new categorization of credit, the Committee of Monetary and Financial Policy Regulation fixed the maximum interest rates for each of these categories through Resolution No. 044-2015-F.

The following table sets forth average deposit interest rates for the economy as a whole and average lending interest rates per sector for the periods shown.

Interest Rates
(in percentages)

	As of December 31,					As of November
	2014	2015	2016	2017	2018	2019
Deposit interest rate	5.2	5.1	5.1	5.0	5.4	6.1
Lending interest rate	8.2	9.1	8.1	7.8	8.7	8.7
Corporate productive lending interest rate[1]	8.2	9.2	8.5	7.8	8.8	8.4
Maximum corporate productive interest rate	9.3	9.3	9.3	9.3	9.3	9.3
Business productive lending interest rate[2]	9.6	9.8	9.8	8.9	9.9	9.5
Maximum business productive interest rate	10.2	10.2	10.2	10.2	10.2	10.2
Medium and small business productive lending interest rate[3]	11.2	10.3	11.2	10.8	11.2	10.6
Maximum medium and small business productive interest rate	11.8	11.8	11.8	11.8	11.8	11.8
Ordinary commercial lending interest rate[4]	n/a	9.0	9.4	8.0	8.1	8.6
Maximum commercial interest rate	n/a	11.8	11.8	11.8	11.8	11.8
Corporate commercial priority lending interest rate[1]	n/a	9.1	8.1	7.8	8.7	8.7
Maximum corporate commercial interest rate	n/a	9.3	9.3	9.3	9.3	9.3
Business commercial priority lending interest rate[2]	n/a	9.9	9.9	9.9	9.8	9.9
Maximum business commercial interest rate	n/a	10.2	10.2	10.2	10.2	10.2
Medium and small business commercial priority lending interest rate[3]	n/a	11.1	11.0	10.6	10.8	10.9
Maximum medium and small business commercial interest rate	n/a	11.8	11.8	11.8	11.8	11.8
Consumer lending interest rate[5]	16.0	n/a	n/a	n/a	n/a	n/a
Maximum consumer interest rate	16.3	n/a	n/a	n/a	n/a	n/a
Ordinary consumer lending interest rate[5]	n/a	16.2	16.8	16.7	16.6	16.3
Maximum Ordinary consumer interest rate	n/a	17.3	17.3	17.3	17.3	17.3
Priority consumer lending interest rate[5]	n/a	16.0	16.7	16.5	16.6	16.8
Maximum priority consumer interest rate	n/a	17.3	17.3	17.3	17.3	17.3
Education lending interest rate[6]	n/a	7.1	9.5	9.5	9.5	9.5
Maximum education interest rate	n/a	9.5	9.5	9.5	9.5	9.5
Housing lending interest rate	10.7	10.9	10.9	10.5	10.0	10.2
Maximum housing interest rate	11.3	11.3	11.3	11.3	11.3	11.3
Microcredit increased accumulation lending interest rate[7][8]	22.3	24.3	21.5	21.1	20.2	20.2
Maximum microcredit increased accumulation interest rate[8]	25.5	25.5	25.5	25.5	23.5	23.5
Microcredit increased accumulation lending interest rate[7][9]	n/a	n/a	n/a	n/a	20.9	20.2
Maximum microcredit increased accumulation interest rate[9]	n/a	n/a	n/a	n/a	25.5	25.5
Microcredit simple accumulation lending interest rate[10][8]	25.2	26.9	25.1	24.7	23.5	23.4
Maximum microcredit simple accumulation interest rate[8]	27.5	27.5	27.5	27.5	25.5	25.5
Microcredit simple accumulation lending interest rate [9][10]	n/a	n/a	n/a	n/a	22.5	22.6
Maximum microcredit simple accumulation interest rate[9]	n/a	n/a	n/a	n/a	27.5	25.5
Microcredit subsistence accumulation lending interest rate[11][8]	28.6	29.0	27.3	27.4	26.5	26.5
Maximum microcredit subsistence accumulation interest rate[8]	30.5	30.5	30.5	30.5	28.5	28.5
Microcredit subsistence accumulation lending interest rate[9][11]	n/a	n/a	n/a	n/a	23.6	24.0
Maximum microcredit subsistence accumulation interest rate[9]	n/a	n/a	n/a	n/a	30.5	30.5

Source: 2014 deposit and lending interest rates based on Central Bank March 2016 Monthly Bulletin (Table 1.10.1). 2014 figures based on Central Bank March 2016 Monthly Bulletin (Table 1.10.2).
2015 and 2016 deposit and lending interest rates based on Central Bank February Monthly Bulletin (Table 1.10.1). Other 2015 and 2016 figures based on Central Bank October 2016 Monthly Bulletin (Table 1.10.2).
2017 deposit and lending interest rates based on Central Bank December Monthly Bulletin (Table 1.10.1). Other 2017 figures based on Central Bank December 2017 Monthly Bulletin (Table 1.10.2).
2018 deposit and lending interest rates based on Central Bank December 2018 Monthly Bulletin (Table 1.10.1) Other 2018 figures based on Central Bank December 2018 Monthly Bulletin (Table 1.10.2).
2019 deposit and lending interest rates based on Central Bank November Monthly Bulletin (Table 1.10.1). Other 2019 figures based on Central Bank November Monthly Bulletin (Table 1.10.2).

(1) "Corporate lending rate" is the rate provided to businesses whose annual sales exceed U.S.$5,000,000.00.
(2) "Business lending rate" is the rate provided to businesses whose annual sales equal or exceed U.S.$1,000,000 up to U.S.$5,0000,000.00.
(3) "Medium and small business lending rate" is the rate provided to businesses whose annual sales equal or exceed U.S.$1,000,000 up to U.S.$5,0000,000.00.
(4) "Ordinary commercial lending rate" is the rate provided to businesses whose annual sales exceed U.S.$100,000.00 that acquire or commercialize light fossil fuel vehicles.

(5) In 2015 consumer credits were divided into "ordinary consumer credits," for the acquisition or commercialization of light fossil fuel vehicles and "priority consumer credits," dedicated to the purchase of goods or services or expenses not related to productive activity or ordinary commercial activity.
(6) "Education lending rate" is the rate provided to individuals for development of human capital by accredited institutions.
(7) "Microcredit increased accumulation lending rate" refers to credit transactions whose amount per trade and balance due to microcredit financial institutions exceed U.S.$10,000. This is the rate granted to entrepreneurs who register annual sales of less than U.S.$100,000.
(8) Under the Monetary, Financial, Securities and Insurance Resolutions Codification, which includes Resolution 437-2018-F of January 26, 2018, certain maximum rates were established for the microcredit segments after February 1, 2018, which will be applicable for the public finance sector, the private finance sector, credit unions and entities of segment 1 of the solidary and popular segment.
(9) Under the Monetary, Financial, Securities and Insurance Resolutions Codification, which includes Resolution 437-2018-F of January 26, 2018, certain maximum rates were established for the microcredit segments after February 1, 2018, which corresponds to credit unions of segments 2, 3 and 4.
(10) "Microcredit simple accumulation lending rate" refers to credit transactions whose amount per transaction and balance due to microcredit financial institutions is larger than U.S.$1,000, but smaller than U.S.$10,000. This is the rate provided to entrepreneurs who register a sales level or annual income of less than U.S.$100,000 and to self-employed individuals.
(11) "Microcredit subsistence accumulation lending rate" refers to credit transactions that are less than or equal to U.S.$1,000. This is the rate provided to micro entrepreneurs who recorded a level of annual sales less than U.S.$100,000 and to self-employed, individuals or a group of borrowers with joint liability.

Average loan interest rates on short-term and long-term loans decreased from 8.4% in 2014 to 8.7% in 2018. During the same period, the average interest rates on deposits increased from 5.2% in 2014 to 5.4% in 2018.

With respect to the various sectors, most loan interest rates remained stable during the period from 2014 through 2018 with the corporate productive lending interest rate increasing to 8.8% from 8.2%, and priority consumer lending rates increasing from 16.0% in 2015 to 16.6% in 2018. In 2015 consumer credits were divided into "ordinary consumer credits," for the acquisition or commercialization of light fossil fuel vehicles and "priority consumer credits," dedicated to the purchase of goods or services or expenses not related to productive activity or ordinary commercial activity. After such reclassification, the ordinary consumer lending interest rate was 16.2% in 2015 increasing slightly to 16.7% in 2017, and the priority consumer lending interest rate increased from 16.0% in 2015 to 16.5% in 2017. As of December 31, 2018, the ordinary consumer lending interest rate was 16.6% and the priority consumer lending interest rate was 16.6%. For November 2019 the ordinary consumer lending interest rate was 16.3% and the priority consumer lending interest rate was 16.8%.

Some loan interest rates slightly increased from 2015 to 2016 with the education lending interest rate increasing from 7.1% to 9.5% and the medium and small business productive lending interest rate increasing from 10.3% to 11.2%. However, the corporate productive lending interest rate decreased from 9.2% in 2015 to 8.5% in 2016, the microcredit increased accumulation lending interest rate decreased from 24.3% in 2015 to 21.5% in 2016, the microcredit simple accumulation lending interest rate decreased from 26.9% in 2015 to 25.1% and the microcredit subsistence accumulation lending interest rate also decreased from 29.0% in 2015 to 27.3% in 2016. The deposit rate decreased from 5.1% as of December 31, 2016 to 5.0% as of December 31, 2017 and the lending rate decreased from 8.1% to 7.8% for the same period. The ordinary commercial lending interest rate decreased from 9.4% as of December 31, 2016 to 8.0% as of December 31, 2017 and the corporate productive lending interest rate decreased from 8.5% to 7.8% for the same period. As of December 31, 2018, the ordinary commercial lending interest rate was 8.1% and the corporate productive lending interest rate was 8.8%. For November 2019 the ordinary commercial lending interest rate was 8.6% and the corporate productive lending interest rate was 8.4%.

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

Principal Monetary Indicators
(in millions of U.S. dollars)

	At December 31,					At November 30,	
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019**
Currency in circulation	9,539.9	11,753.7	13,261.2	14,858.7	15,915.9	15,346.4	16,390.9
Demand deposits	9,068.8	7,201.0	9,281.4	9,577.6	9,260.5	9,112.7	8,894.4
Fractional Currency	86.6	86.3	88.2	85.3	83.6	83.5	78.7
M1	**18,695.3**	**19,041.7**	**22,634.9**	**24,530.5**	**25,259.9**	**24,542.6**	**25,364.0**
Savings	3,506.1	3,053.5	6,044.1	5,244.5	4,859.5	4,238.6	4,267.2
Term deposits	21,409.1	20,609.0	23,553.5	26,260.3	28,404.8	27,625.1	30,737.1
M2 (M1 plus term deposits)	**40,104.4**	**39,650.7**	**46,188.4**	**50,790.8**	**53,664.7**	**52,167.7**	**56,101.0**

Source: Based on figures from the Central Bank December 2019 Monthly Bulletin (Table 1.1.1). Figures of 2015 based on the November 2018 Monthly Bulletin (Table 1.1.1). Figures of 2014 based on the March 2018 Monthly Bulletin (Table 1.1.1).

In January 2000, following several weeks of severe exchange-rate depreciation, the Republic announced that it would dollarize the economy. On March 1, 2000, the National Assembly approved the Ecuadorian Economic Transformation Law which made the U.S. dollar legal tender in Ecuador. Further, pursuant to the Ecuadorian Economic Transformation Law, all sucre-denominated deposits were converted into U.S. dollars effective January 1, 2000, and the U.S. dollar became the unit of account in the financial system. As a result, U.S. dollar deposits that in prior periods were classified as deposits in foreign currency have been, for periods from and after January 1, 2000, classified as demand deposits, savings or term deposits, as applicable.

Inflation

Ecuador measures the inflation rate by the percentage change between two periods in the consumer price index ("CPI"). The CPI is computed by INEC based on a standard basket of 299 items of goods and services that reflects the pattern of consumption of urban Ecuadorian households in eight cities. The price for each good or service that makes up the basket is weighted according to its relative importance in an average urban household's consumption pattern in order to calculate the CPI.

Prior to the adoption of the Dollarization Program, Ecuador was plagued by high inflation. From 1994 to 1999, the inflation rate ranged from a 22.8% low in 1995 to a 60.7% high in 1999. In 1999 and early 2000, the sharp devaluation of the sucre contributed to an increase in the Republic's inflation rate, which became one of the highest in Latin America at 96.1% in 2000.

The restrictions imposed by the Dollarization Program brought this to an end. The inflation rate was 2.7% in 2004, 2.2% in 2005, 2.8% in 2006, 3.3% in 2007 and 8.8% in 2008. The increase in inflation in 2008 was primarily caused by increases in food prices, due to climatic changes that affected the agricultural sector. In addition, the international prices of fertilizer and agricultural commodities also increased. As a result of these increases, Ecuador fixed the prices for some of these goods and limited the export of various agricultural products. As a result, during 2011, 2012, 2013 and 2014 the inflation rate followed a downward trend, each year at 5.41%, 4.16%, 2.70% and 3.67%, respectively. The decrease in the inflation rate in 2013, particularly, was due to the imposition of price controls intended to curb price speculation on basic foodstuffs including, meats, various fruits and vegetables, and milk.

At the end of 2014, the inflation rate was 3.67%. This increase was due to an increase in the prices of housing, water and electricity services during that year. For the 12-month period ending December 31, 2015, the inflation rate decreased to 3.38%. This decrease was due to a decrease in the price of certain foods, primarily shrimp and chicken. Inflation for the 12-month period ending in December 31, 2016 decreased to 1.12% from 3.38% for the 12-month period ending December 31, 2015. This decrease was due to a decrease in the price of certain garments, motor vehicles and fruits and vegetables as a result of competition from Peruvian agricultural products entering the market, the impact on the price of imported goods as a result of a stronger dollar and the application of certain additional tariffs. According to the Central Bank, inflation decreased from 1.12% for the 12-month period ended December 31, 2016 to -0.20% for the 12-month period ended December 31, 2017. This

decrease was due to a decrease in the price of domestic goods and services, clothing garments and footwear, food and non-alcoholic beverages. According to the Central Bank, inflation increased from -0.20% for the 12-month period ended December 31, 2017 to 0.27% for the 12-month period ended December 31, 2018. This increase was primarily due to an increase in each of the prices of alcoholic beverages and tobacco by 2.43%, health products by 2.15%, and other goods and services by 1.79%. According to the Central Bank, inflation decreased from 0.35% for the 12-month period ended November 30, 2018 to 0.04% for the 12-month period ended November 30, 2019. This decrease was primarily due to a decrease in the prices of clothing and footwear, furniture and household items, hotels and restaurants, food and non-alcoholic beverages and communications. According to the Central Bank, inflation decreased from 0.27% for the 12-month period ended December 31, 2018 to -0.07% for the 12-month period ended December 31, 2019.

Given the constrains of dollarization, and Ecuador's inability to mint currency, the Republic is more vulnerable than other countries to external factors such as global recessions, the volatility of commodity and raw material prices and natural disasters affecting the agricultural sector. The relative strength or weakness of the dollar, relative to the currencies of Ecuador's Andean trading partners, has also affected Ecuador's inflation rate during those periods.

The following table sets forth inflation rates in the Republic as measured by the CPI for the periods presented.

Inflation
(% Change in CPI from Previous Year at Period End[(1)])

December 2014	3.67
December 2015	3.38
December 2016	1.12
December 2017	-0.20
December 2018	0.27
December 2019	-0.07

Source: Based on figures from the Central Bank December 2019 Monthly Bulletin Table (4.2.1) and (4.2.1a).

(1) Data reflect percentage change in consumer prices in urban areas over the prior 12 month period.

PUBLIC SECTOR FINANCES

Overview

Budget Process

The 2008 Constitution and the Public Planning and Finance Code set forth the public sector's budget process. According to Article 292 of the 2008 Constitution, the General State Budget is the instrument for establishing and managing Government income and spending, and includes all public sector income and expenses, with the exception of those belonging to social security, public banks, public companies and the Autonomous Decentralized Governments. The drafting and implementation of the General State Budget adheres to the National Development Plan, while the budgets of the Autonomous Decentralized Governments and those of other public entities adhere to regional and provincial plans, with the framework of the National Development Plan. This plan is published by the Government every four years, and lays out the goals and priorities of the Government for that time period. The National Development Plan for 2017 to 2021 was released in September 22, 2017.

The executive branch formulates the annual budget estimate, and the four-year budgetary schedule, and presents both to the National Assembly for approval. The levels of revenue, expenditure, and debt are based on the macroeconomic projections and targets of the Ministry of Economy and Finance and the Central Bank. The Ministry of Economy and Finance is primarily responsible for the preparation of the public sector's annual budget, based on guidelines issued by various planning agencies and other ministries.

The executive branch submits the draft annual budget and the four-year budgetary schedule to the National Assembly within the first 90 days of its initial term and, in subsequent years, 60 days before the start of the relevant fiscal year. The National Assembly must adopt or object to the draft budget within 30 days. The objections of the National Assembly are limited to the areas of revenue and spending and cannot alter the overall amount of the draft budget. If the National Assembly objects to the draft budget or schedule, the executive branch may, within ten days, accept the objection and submit a new proposal to the National Assembly for approval. If the National Assembly does not object within 30 days, the draft annual budget and the four-year budgetary schedule become effective.

The 2008 Constitution also establishes predetermined budget allocations for the Autonomous Decentralized Governments, the health sector, the education sector, and for research, science, technology and innovation. The creation of any other predetermined budget allocations is forbidden.

The Ministry of Economy and Finance has the authority to modify the budget during its execution phase in an amount up to 15% of any approved allocation. These adjustments must be made in accordance with the priorities and goals established in the National Development Plan and the constitutional limits established in Article 126 of the Public Planning and Finance Code. For more information regarding the National Development Plan and constitutional limits, see "*Public Debt—General*."

Income and expenses belonging to social security, state banks, public companies and the Autonomous Decentralized Governments are not considered part of the General State Budget. As such, Autonomous Decentralized Governments prepare their budgets in accordance with the non-binding guidelines prepared by the National Secretary of Planning and Development. The executive branch of each Autonomous Decentralized Government is responsible for drafting the budget and submitting it for approval before the corresponding legislative bodies. The General State Budget and local budgets, upon approval, are implemented and made public, as is the General State Budget, and are implemented by the respective local governments.

In 2002, in response to increasing Government expenditures, the National Assembly enacted the Law to Promote Responsibility, Stabilization and Fiscal Transparency, which was aimed at reducing public indebtedness and establishing greater transparency in the Government's use of public funds. During the second half of 2005, the Government, with the support of the National Assembly, replaced the *Fondo de Estabilización, Inversión Social, y Reducción del Endeudamiento Público* (the "Stabilization, Social Investment and Public Indebtedness Reduction Fund" or "FEIREP") that was previously created by the 2002 law. FEIREP was replaced by CEREPS. This resulted

in an increase in Government investment in the social and productive sectors of the economy to strengthen the economic performance while limiting current expenses.

In 2008, CEREPS was eliminated due to the 2008 Constitution and the enactment of LOREYTF. The Republic believes that the new law enhances transparency and flexibility to the budget process by providing enhanced management of state resources and prioritizing social investments. The law also eliminated all predetermined use of resources; currently all of the Republic's resources go directly to a single system of accounts in the Central Bank. Title 3 of the Public Planning and Finance Code also provides transparency by providing unrestricted access to all budget and financial information of the Republic and annual financial statements of public companies.

In accordance with the terms of the 2008 Constitution, the macroeconomic rules and the restrictions on the assumption of public debt were changed as follows:

- permanent expenditures must be financed by permanent income; expenditures related to health, education and justice will be treated as preferential and may be, under exceptional circumstances, financed by non-permanent income; and

- public debt or income from petroleum products may not be used for current Government expenditures.

Under the 2008 Constitution, each of the following is subject to the National Development Plan:

- policies;

- programs and public projects;

- scheduling and execution of the state budget; and

- investment and allocation of public resources.

Pursuant to the Public Planning and Finance Code, each of the following is also subject to the National Development Plan:

- public actions, programs and projects;

- public debt;

- international cooperation;

- scheduling, formulation, approval and execution of the General State Budget;

- state banks' budgets;

- national-level public companies; and

- social security.

The Organic Law for Productive Development, enacted on August 21, 2018, amended the Public Planning and Finance Code to prevent that a budget with a primary deficit be approved and ensure that any increase in the expenditure by the central government does not exceed the long term growth rate of the economy.

At the request of the Ministry of Economy and Finance, or on its own, the Office of the Comptroller General can perform an audit of all public sector entities that administer public funds for compliance with proposed budgets and compliance under the law.

Fiscal Policy

In October 2010, the National Assembly approved the Public Planning and Finance Code, which regulates the state planning process and coordinates planning with fiscal policy. This law establishes guidelines for fiscal management, including rules that:

- allow for more flexibility for the Ministry of Economy and Finance to reallocate and reassign expenditures up to 15% of the approved Government budget;
- set an explicit total public debt ceiling of 40% of GDP including Central Government, non-financial public sector and the Autonomous Decentralized Governments;
- allow the Ministry of Economy and Finance to issue CETES, at its discretion, without having to undergo the same approval process required for long-term internal and external sovereign debt;
- allow for the establishment of citizen committees for financial public policy consultations;
- determine that all excess cash not spent during a fiscal year will be accounted for as initial cash for the following fiscal year; and
- establish the functions and responsibilities of the Debt and Finance Committee. See "*Public Debt—General*."

The CGR Audit Report recommended that, in order to reconcile amounts comprising public debt, the Public Planning and Finance Code should be amended and Decree 1218 should be repealed with respect to the calculation of the total public debt to GDP ratio to ascertain the actual value of total public debt and determine if that amount exceeded the 40% debt to GDP ratio set out in Article 124 of the Public Planning and Finance Code. Following these recommendations, on June 21, 2018, the National Assembly passed the Organic Law for Productive Development which became effective on August 21, 2018, which expressly confirms that certain activities and instruments are considered a contingent liability, and therefore are not included in the calculation of the total public debt to GDP ratio, and provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply. The law also provides for the implementation of a fiscal stability plan by the Ministry of Economy and Finance for the period from 2018 to 2021. The law sets forth that in each subsequent fiscal year after 2021, the General State Budget must be presented with a fiscal program aimed at reducing over time the amount of total public debt relative to GDP, until it reaches a level below the 40% debt to GDP ratio. The new law also mandated that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, to be in accordance with article 123 of the Public Planning and Finance Code (as amended), internationally accepted standards and best practices for the registration and disclosure of public debt, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability.*" On October 15, 2018, President Moreno issued Decree 537 repealing Decree 1218 in its entirety which became effective on October 30, 2018, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*."

On November 19, 2018, the Ministry of Economy and Finance issued the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the New Methodology, which provides that the calculation of the public debt to GDP ratio is to be based on total public debt as published in the official aggregate financial statements and the latest nominal GDP as published by the Central Bank. The New Methodology defines total public debt as the sum of the public debt incurred by the entities comprising the public sector and adds certain debt instruments to the calculation of public debt that were not previously included, including oil presales, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*." The April 2019 Debt Bulletin was the

first report on public debt issued that followed the New Methodology. The Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology provides that by November 14, 2019, the Ministry of Economy and Finance was required to publish public debt figures calculated using the New Methodology going back to October 2010. Such deadline has not been met due to unexpected delays in gathering and consolidating the data, with the release of these updated public debt figures expected within the weeks following this Offering Circular. Once these past public debt figures are published using the New Methodology, those numbers may vary from the public debt figures presented in this Offering Circular for the comparable period which were calculated based on the old methodology.

In addition, the Organic Law for Productive Development amends Article 124 of the Public Planning and Finance Code providing that in exceptional cases, fiscal rules and the 40% debt to GDP ratio limit may be temporarily suspended when natural catastrophes, severe economic recession, imbalances in the payment system, or national emergency situations occur, for which purpose the approval of the majority of the members of the National Assembly will be required. These rules may also be suspended in the event that the President of the Republic decrees a state of emergency, in accordance with the provisions of the Constitution. In these cases, the entity in charge of public finances will propose a plan to strengthen public finances to achieve and restore fiscal balance.

On December 18, 2018, by executive decree No. 617, President Moreno issued the Regulation to the Organic Law for Productive Development supplementing the Organic Law for Productive Development, which became effective on December 20, 2018. The Regulation to the Organic Law for Productive Development, among others, creates the procedures to implement and simplify the tax benefits that the Organic Law for Productive Development created for new investments and entrepreneurship; clarifies different concepts used in the Organic Law for Productive Development such as the concept of 'new investment;' creates the framework under which the VAT and exit tax returns on exports and other tax incentives will be carried out; closes any loopholes on the elimination of the excise tax; and creates the procedures to oversee compliance with fiscal rules with the goal of achieving sustainability of public finances.

The Regulation to the Organic Law for Productive Development also amends the Rules to the Public Planning and Finance Code to include a new section on fiscal rules and to amend certain articles. Article 133 of the Rules to the Public Planning and Finance Code is amended to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the central government in a period of no more than 60 days after the end of each month. These amendments also provide that in establishing the total amount of public debt, the Ministry of Economy and Finance will consider the aggregate public debt/GDP indicator of the entities constituting the public sector. This indicator will be calculated and projected based on the public debt aggregate statements, at least for the final balances, for the following four years. Among other provisions, the regulation provides guidance for calculating the debt to GDP ratio for these purposes, as well as for reducing the balance of the public debt below 40% and for ensuring that the balance of the public debt does not exceed 40% of GDP after it has been reduced.

The non-financial public sector deficit is primarily financed by the issuance of CETES and bonds placed with IESS. There is no maximum amount of CETES that may be issued per year nor is there a requirement to place a certain percentage in the public or private sector. However, IESS may only hold 75% of the value of its total portfolio in CETES.

As of December 31, 2018, the Ministry of Economy and Finance had an outstanding balance of U.S.$2,267.7 million in CETES. As of October 31, 2019, the Ministry of Economy and Finance had an outstanding balance of U.S.$2,483.9 million in CETES. Towards the end of 2012, the Government drew on its International Reserves with the Central Bank to cover its liquidity. This led to a decrease in reserve levels in December 2012. As of December 31, 2017, International Reserves covered 9.5% of current account payments. For more information regarding International Reserves, see "*Balance of Payments—International Reserves.*" As of December 31, 2017, Ecuador's International Reserves totaled U.S.$2,451.1 million, a decrease compared to December 31, 2016 when International Reserves totaled U.S.$4,258.8 million. The decrease in International Reserves during the 12-month period ending in December 31, 2017 compared to the period ending in December 31, 2016 was mainly due to a decrease in investments, term deposits and securities. As of December 31, 2018, Ecuador's International Reserves totaled U.S.$2,676.5 million, an increase from December 31, 2017 when International Reserves totaled U.S.$2,451.1 million. The increase in International Reserves during the 12-month period ending in December 31, 2018 compared

to the period ending in December 31, 2017 was mainly due to an increase in the net income of oil exports and the net payment of external public debt, which allowed to offset the net outflow of the private financial sector (mainly due to goods and services imports) by U.S.$2,091 million, the non-oil imports of the public sector and payments in arbitral awards by U.S.$1,927 million, and net cash withdrawals from the financial system by U.S.$589 million. As of October 31, 2019, Ecuador's International Reserves totaled U.S.$4,097.8 million, an increase from October 31, 2018 when International Reserves totaled U.S.$2,730.4 million. This increase in International Reserves was principally due to an increase in the net income from crude oil exports and oil derivatives imports by U.S.$2,066 million and an increase of the inflow of money from public external debt by U.S.$1,615 million, which helped offset the U.S.$1,105 million and U.S.$933 million decreases in outflow of money from the public and private financial sectors, respectively, and to net cash withdrawals from the financial system totaling U.S.$560.8 million. As of December 31, 2019, Ecuador's International Reserves totaled U.S.$3,397.1 million, a 26.9% increase from December 31, 2018 when International Reserves totaled U.S.$2,676.5 million, and a 6.9% increase from November 30, 2019, when International Reserves totaled U.S.$3,178.7 million.

As of November 30, 2019, Ecuador's International Reserves totaled U.S.$3,178.7 million, a 22.4% decrease from October 31, 2019. As of October 31, 2019, Ecuador's International Reserves totaled U.S.$4,097.8 million, a 20.1% decrease from September 30, 2019. As of September 30, 2019, Ecuador's International Reserves totaled U.S.$5,130.4 million, a 34.7% increase from August 31, 2019.

The Organic Law for Productive Development, enacted on August 21, 2018, created a fiscal stabilization fund to ensure fiscal sustainability and health and education expenses, supported by the extra revenue above the flows contemplated under the Budget from the exploitation of non-renewable natural resources, after deducting the share earmarked to local governments. Under the Organic Law for Productive Development, this fiscal stabilization fund is not required to initiate until 2021 and as of the date of this Offering Circular, it has not yet been funded.

On October 18, 2019, President Moreno presented before the National Assembly the draft Law on Economic Development which, among other reforms, was aimed at reforming certain aspects of Ecuador's financial laws and regulations to, among other objectives, (i) enhance fiscal sustainability establishing stricter budget controls and (ii) strengthen dollarization by enhancing the Central Bank's autonomy, see "*The Republic of Ecuador—Recent Measures by President Moreno.*" On November 17, 2019, the National Assembly voted to reject the draft Law on Economic Development. In response, on November 21, 2019, President Moreno presented the draft Organic Law on Tax Simplification, replacing the draft Law on Economic Development with respect to certain aspects of the intended tax reform. The Organic Law on Tax Simplification was first approved by the National Assembly on December 9, 2019, and after a Presidential partial veto, it was finally approved on December 30, 2019, and became effective on December 31, 2019 , see "*The Republic of Ecuador—Recent Measures by President Moreno.*"

The Government indicated in its Updated Memorandum of Economic and Financial Policies presented to the IMF on December 11, 2019, that it is currently studying a new draft law modifying certain aspects of the banking and monetary reforms intended under the draft Law on Economic Development. Presentation to the National Assembly of amendments to the Public Planning and Finance Code are expected by the end of February 2020, and presentation of amendments to the Organic Monetary and Financial Law, after consultation with various stakeholders and building consensus, are expected by April 2020, see "*Public Debt—IMF's Extended Fund Facility*."

Non-Financial Public Sector Revenues and Expenditures

The following table sets forth actual revenues and expenditures for the consolidated non-financial public sector for the periods presented.

Summary of Consolidated Non-financial Public Sector Revenues and Expenditures
(in millions of U.S.$ and as a % of GDP)

	For the Year Ended December 31,										For the Ten Months Ended Otober 31,	
	2014	% of GDP	2015	% of GDP	2016	% of GDP	2017	% of GDP	2018	% of GDP	2018	2019
Revenue												
Petroleum revenue												
Exports[1]	10,906	10.7	6,487	6.5	5,402	5.4	5,840	5.6	8,621	8.0	6,820	6,662
Domestic sales	-	-	-	-	-	-	-	-	-	-		
Total petroleum revenue (a)	**10,906**	**10.7**	**6,487**	**6.5**	**5,402**	**5.4**	**5,840**	**5.6**	**8,621**	**8.0**	**6,820**	**6,662**
Non-petroleum revenue												
Income tax	4,161	4.1	4,734	4.8	3,640	3.6	3,764	3.6	4,803	4.4	3,596	3,731
Value-added tax	6,376	6.3	6,352	6.4	5,400	5.4	5,979	5.7	6,384	5.9	5,266	5,295
Selected excise taxes	803	0.8	840	0.9	790	0.8	937	0.9	978	0.9	826	757
Taxes on international trade	1,357	1.3	2,026	2.0	1,633	1.6	1,468	1.4	1,561	1.4	1,295	1,202
Social security contributions	4,718	4.6	5,057	5.1	4,741	4.7	5,415	5.2	5,553	5.1	4,627	4,920
Other[2]	6,524	6.4	6,749	6.8	8,091	8.1	7,911	7.6	8,366	7.8	6,912	6,277
Total non-petroleum revenue (b)	**23,939**	**23.5**	**25,758**	**25.9**	**24,294**	**24.3**	**25,473**	**24.4**	**27,644**	**25.5**	**22,521**	**22,183**
Operating income of public companies (c)	**4,187**	**4.1**	**1,076**	**1.1**	**618**	**0.6**	**2,113**	**2.0**	**2,600**	**2.4**	**2,494**	**2,107**
Total revenue (a+b+c)	**39,032**	**38.4**	**33,322**	**33.6**	**30,314**	**30.3**	**33,426**	**32.0**	**38,865**	**35.9**	**31,835**	**30,951**
Expenses												
Current expenditures												
Interest	1,024	1.0	1,421	1.4	1,561	1.6	2,209	2.1	2,678	2.5	2,173	2,339
Foreign	829	0.8	1,143	1.1	1,335	1.3	1,850	1.8	2,306	2.1	1,858	2,126
Domestic	195	0.2	278	0.3	226	0.2	359	0.3	371	0.3	315	212
Wages and salaries	9,478	9.3	9,904	10.0	10,014	10.0	10,365	9.9	10,672	9.8	8,460	8,359
Purchases of goods and services	5,328	5.2	5,112	5.2	4,684	4.7	5,056	4.9	6,183	5.7	4,764	4,124
Social security	3,665	3.6	4,222	4.3	4,655	4.7	4,999	4.8	5,382	5.0	4,289	4,588
Others	9,497	9.3	6,890	6.9	5,691	5.7	5,777	5.5	8,117	7.5	6,648	6,718
Total current expenditure	**28,992**	**28.5**	**27,550**	**27.7**	**26,604**	**26.6**	**28,407**	**27.2**	**33,032**	**30.5**	**26,333**	**26,127**
Capital expenditure and net lending												
Gross capital formation	13,980	13.7	10,178	10.3	10,293	10.3	8,648	8.3	6,456	6.0	4,323	3,966
General state budget	8,290	8.1	5,532	5.6	6,105	6.1	5,086	4.9	3,243	3.0	1,860	1,364
Public companies	4,218	4.1	3,128	3.2	2,533	2.5	1,870	1.8	1,788	1.6	1,371	1,555
Rest of general government	1,472	1.4	1,518	1.5	1,655	1.7	1,692	1.6	1,424	1.3	1,093	1,046
Other capital expenditure	1,375	1.4	1,533	1.5	731	0.7	1,024	1.0	678	0.6	636	613
Total capital expenditure	**15,354**	**15.1**	**11,712**	**11.8**	**11,024**	**11.0**	**9,672**	**9.3**	**7,133**	**6.6**	**4,959**	**4,579**
Total expenditure	**44,346**	**43.6**	**39,262**	**39.5**	**37,628**	**37.7**	**38,079**	**36.5**	**40,166**	**37.1**	**31,292**	**30,707**
Surplus/Deficit	**-5,314**	**-5.2**	**-5,940**	**-6.0**	**-7,314**	**-7.3**	**-4,653**	**-4.5**	**-1,300**	**-1.2**	**543**	**245**

Source: Based on figures from the Central Bank December 2019 Monthly Bulletin (Table 2.1 and Table 2.2).

(1) This figure is different than the crude oil exports figure in the Exports FOB table in that it includes derivate revenues, as opposed to only crude oil, and measures revenues from petroleum exports for the non-financial public sector, only.

(2) Includes other taxes and revenue.

In 2014, the non-financial public sector registered a deficit of U.S.$5,314 million, equivalent to -5.2% of GDP. This deficit was the result of increases in wages and salaries and current expenses. Total expenditures totaled U.S.$44,346 million (equivalent to 43.6% of GDP) and total revenues totaled U.S.$39,032 million (equivalent to 38.4% of GDP) in 2014.

In 2015, the non-financial public sector registered a deficit of U.S.$5,940 million, equivalent to -6.0% of GDP. This deficit was primarily the result of decreased petroleum revenue. Total expenditures totaled U.S.$39,262 million (equivalent to 39.5% of GDP) and total revenues totaled U.S.$33,322 million (equivalent to 33.6% of GDP) in 2015.

In 2016, the non-financial public sector registered a deficit of U.S.$7,314 million compared to a deficit U.S.$5,940 million in 2015. This increase in the deficit was due to a decrease in the revenues from the sale of oil exports caused by the decrease in the price of oil during the time period. In 2016, total revenues for the non-financial public sector totaled U.S.$30,314 million, a decrease from U.S.$33,322 million in 2015. In 2016, total expenditures for the non-financial public sector totaled U.S.$37,628 million, a decrease compared to U.S.$39,262 million in 2015.

In 2017, the non-financial public sector registered a deficit of U.S.$4,653 million compared to a deficit U.S.$7,314 million in 2016. This decrease in the deficit was due to an increase in total revenues; particularly in the value added tax, specific consumption taxes, income tax and greater contributions to social security, along with a decrease in the gross-fixed capital formation driven by a reduction in capital expenditures of the General State Budget, public companies and municipalities. In 2017, total revenues for the non-financial public sector totaled U.S.$33,426 million, an increase from U.S.$30,314 million in 2016. In 2017, total expenditures for the non-financial public sector totaled U.S.$38,079 million, an increase compared to U.S.$37,628 million in 2016.

In 2018, the non-financial public sector registered a deficit of U.S.$1,300 million compared to a deficit of U.S.$4,653 million in 2017. This decrease in the deficit was principally due to an increase in petroleum and tax revenues, as a result of an increase in the price per barrel of petroleum, and the reduction in capital expenditure, as well as a decrease in Central Government expenditures as a result of the optimization of investment projects. In 2018, total revenues for the non-financial public sector totaled U.S.$38,865 million, an increase from U.S.$33,426 million for 2017. This increase was primarily due to an increase in oil revenues. In 2018, total expenditures for the non-financial public sector totaled U.S.$40,166 million, an increase compared to U.S.$38,079 million in 2017. This increase was primarily due to an increase in current expenditure by approximately 5% of GDP.

For the first nine months of 2019, the non-financial public sector registered a surplus of U.S.$242 million compared to a surplus of U.S.$645 for the first nine months of 2018. This decrease in total surplus is primarily due to an increase in non-tax revenue and an increase in the operational surplus of public sector companies. For the first ten months of 2019, the non-financial public sector registered a surplus of U.S.$245 million compared to a surplus of U.S.$543 for the first ten months of 2018.

For the first nine months of 2019, total revenues for the non-financial public sector totaled U.S.$27,972 million, a decrease from U.S.$28,698 million for the first nine months of 2018. This decrease was primarily due to a lower increase in 2019 in non-tax revenue and in the operational surplus of public sector companies compared to 2018. For the first ten months of 2019, total revenues for the non-financial public sector totaled U.S.$30,951 million, a decrease from U.S.$31,835 million for the first ten months of 2018.

For the first nine months of 2019, total expenditures for the non-financial public sector totaled U.S.$27,730 million, a decrease compared to U.S.$28,053 million for the first nine months of 2018. This decrease was primarily due to the optimization of public investment under the general State budget initiated in 2019. For the first ten months of 2019, total expenditures for the non-financial public sector totaled U.S.$30,707 million, a decrease compared to U.S.$31,292 million for the first ten months of 2018.

Central Government Revenues and Expenditures

The Government derives its revenues primarily from sales of petroleum, tax collection and import duties, and other revenue, including transfers. The following table shows the actual Central Government revenues and expenditures for the periods presented. The central Government ("Central Government") includes the Republic's ministries, supervising entities, and other Government entities.

Consolidated General State Budget Revenues and Expenditures

(in millions of U.S.$, and as % of GDP)

	For the Year Ended December 31,										January 1 – October 31	
	2014	% of GDP	2015	% of GDP	2016	% of GDP	2017	% of GDP	2018	% of GDP	2018	2019
Revenue[1]												
Petroleum revenue	**3,765**	**3.7**	**2,264**	**2.3**	**2,003**	**2.0**	**1,676**	**1.6**	**2,109**	**1.9**	**1,831**	**1,864**
Non-petroleum revenue	**16,616**	**16.2**	**18,081**	**18.0**	**16,552**	**16.9**	**16,494**	**16.0**	**18,125**	**16.7**	**14,534**	**14,273**
Tax revenue												
Taxes on goods and services												
Value-added tax	6,376	6.2	6,352	6.3	5,400	5.5	5,979	5.8	6,384	5.9	5,266	5,295
Selected excise taxes	803	0.8	840	0.8	790	0.8	937	0.9	978	0.9	826	757
Total taxes on goods and services	7,179	7.0	7,192	7.2	6,189	6.3	6,916	6.7	7,362	6.8	6,092	6,052
Income Tax	4,161	4.1	4,734	4.7	3,640	3.7	3,764	3.7	4,803	4.4	3,596	3,731
Taxes on International Trade												
Import duties	1,357	1.3	2,026	2.0	1,633	1.7	1,468	1.4	1,561	1.4	1,295	1,202
Export duties[3]	1,406	1.4	1,278	1.3	815	0.8	935	0.9	1,042	1.0	856	802
Total taxes on international trade	2,763	2.7	3,304	3.3	2,448	2.5	2,403	2.3	2,602	2.4	2,151	2,005
Vehicle tax	228	0.2	223	0.2	195	0.2	191	0.2	215	0.2	188	194
Other taxes	129	0.1	135	0.1	1,546	1.6	805	0.8	440	0.4	316	343
Total tax revenue	**14,460**	**14.1**	**15,588**	**15.6**	**14,017**	**14.3**	**14,078**	**13.7**	**15,422**	**14.2**	**12,342**	**12,325**
Non-tax revenue	**2,061**	**2.0**	**2,021**	**2.0**	**2,152**	**2.2**	**2,098**	**2.0**	**2,245**	**2.1**	**1,820**	**1,693**
Transfers	**95**	**0.1**	**471**	**0.5**	**383**	**0.4**	**318**	**0.3**	**458**	**0.4**	**371**	**255**
Total revenues	**20,381**	**19.9**	**20,344**	**20.3**	**18,556**	**19.0**	**18,170**	**17.6**	**20,233**	**18.7**	**16,365**	**16,137**
Current expenditure												
Interest accrual												
Foreign	715	0.7	971	1.0	1,148	1.2	1,614	1.6	2,074	1.9	1,669	1,985
Domestic	682	0.7	789	0.8	791	0.8	868	0.8	905	0.8	734	703
Total interest accrual	1,397	1.4	1,759	1.8	1,938	2.0	2,482	2.4	2,979	2.7	2,404	2,688
Wages and salaries	8,359	8.2	8,761	8.7	8,870	9.1	9,140	8.9	9,451	8.7	7,480	7,373
Purchase of goods and services	2,490	2.4	2,409	2.4	1,935	2.0	2,139	2.1	2,420	2.2	1,793	1,724
Other current expenditures	998	1.0	691	0.7	742	0.8	715	0.7	769	0.7	645	638
Transfers	1,737	1.7	863	0.9	1,028	1.1	1,155	1.1	1,651	1.5	1,261	2,412
Total current expenditure	**14,981**	**14.6**	**14,484**	**14.5**	**14,514**	**14.8**	**15,630**	**15.2**	**17,270**	**15.9**	**13,582**	**14,835**
Capital expenditure												
Fixed capital expenditure	8,290	8.1	5,532	5.6	6,105	6.2	5,087	4.9	3,243	3.0	1,860	1,364
Other	22	-	152	0.1	394	0.4	369	0.4	145	0.1	118	33
Capital Transfers	3,501	3.4	4,117	4.1	3,092	3.2	3,226	3.1	3,497	3.2	2,875	2,700
Total capital expenditure	**11,812**	**11.5**	**9,801**	**9.9**	**9,590**	**9.8**	**8,681**	**8.4**	**6,885**	**6.4**	**4,853**	**4,098**
Total Expenditure[2]	**26,794**	**26.2**	**24,285**	**24.5**	**24,103**	**24.6**	**24,312**	**23.6**	**24,154**	**22.3**	**18,435**	**18,933**
Adjustment on treasury accounts	-	-	-	-	-	-	-	-	-	-		
Overall surplus or deficit	-6,413	-6.3	-3,941	-4.0	-5,548	-5.7	-6,142	-6.0	-3,921	-3.6	-2,070	-2,796

Source: Based on figures from the Central Bank December 2019 Monthly Bulletin (Table 2.2.1).

(1) Revenues are cash, expenditures are accrued.

(2) Includes all interest payments under foreign debt obligations.

Taxation and Customs

In 2014, Central Government revenues totaled U.S.$20,381 million (equivalent to 19.9% of GDP), of which U.S.$3,765 million (equivalent to 3.7% of GDP) corresponds to petroleum revenues, U.S.$14,460 million (equivalent to 14.1% of GDP) corresponds to tax revenue, U.S.$2,061 million (equivalent to 2.0% of GDP) corresponds to non-tax revenue and U.S.$95 million (equivalent to approximately 0.1% of GDP) is in respect of transfers received.

In 2015, Central Government revenues totaled U.S.$20,345 million (equivalent to 20.3% of GDP), of which U.S.$2,264 million (equivalent to 2.3% of GDP) corresponds to petroleum revenue, U.S.$15,588 million (equivalent to 15.6% of GDP) corresponds to tax revenue, U.S.$2,021 million (equivalent to 2.0% of GDP) corresponds to non-tax revenue and U.S.$471 million (equivalent to approximately 0.5% of GDP) is in respect of transfers received.

In 2016, Central Government revenues totaled U.S.$18,556 million (equivalent to 19.0% of GDP), of which U.S.$2,003 million (equivalent to 2.0% of GDP) corresponds to petroleum revenue, U.S.$14,017 million (equivalent to 14.3% of GDP) corresponds to tax revenue, U.S.$2,152 million (equivalent to 2.2% of GDP) corresponds to non-tax revenue and U.S.$383 million (equivalent to 0.4% of GDP) is in respect of transfers received. This resulted in a deficit of U.S.$5,548 million in 2016, an increase in the deficit compared to the deficit of U.S.$3,941 million in 2015. This increase in the deficit is primarily due to decreases in petroleum revenue and non-petroleum revenue as well as in revenue from certain taxes.

In 2017, Central Government revenues totaled U.S.$18,170 million (equivalent to 17.6% of GDP), of which U.S.$1,676 million (equivalent to 1.6% of GDP) corresponds to petroleum revenue, U.S.$14,078 million (equivalent to 13.7% of GDP) corresponds to tax revenue, U.S.$2,098 million (equivalent to 2.0% of GDP) corresponds to non-tax revenue and U.S.$318 million (equivalent to 0.3% of GDP) is in respect of transfers received. This resulted in a deficit of U.S.$6,142 million in 2017, an increase in the deficit compared to the deficit of U.S.$5,548 million in 2016. This increase of U.S.$594 million in the deficit is primarily due to a decrease in total revenues mainly from lower petroleum revenues and lower transfers and an increase in current expenditure.

In 2018, Central Government revenues totaled U.S.$20,233 million, while total expenditures were U.S.$24,154 million. This resulted in a deficit of U.S.$3,921 million in 2018, a decrease in the deficit compared to the U.S.$6,142 million deficit in 2017. This decrease in the deficit was primarily due to an increase in non-oil revenue as well as an optimization of investment projects.

For the first nine months of 2019, Central Government revenues totaled U.S.$14,506 million, while total expenditures were U.S.$16,968 million. This resulted in a deficit of U.S.$2,462 million for the first nine months of 2019, as compared to the U.S.$1,667 million deficit for the first nine months of 2018. This increase in the deficit is primarily due to a decrease in revenue from transfers to the general State budget and an increase in expenditures compared to 2018 driven by the reinstatement of the Government's requirement to cover 40% of public pension plans under the social security law. For the first ten months of 2019, Central Government revenues totaled U.S.$16,137 million, while total expenditures were U.S.$18,933 million. This resulted in a deficit of U.S.$2,796 million for the first ten months of 2019, as compared to the U.S.$2,070 million deficit for the first ten months of 2018.

The 2008 Constitution grants the National Assembly the authority to create, amend or eliminate taxes by means of the law, without detriment to the attributions granted to Autonomous Decentralized Governments. Pursuant to the 2008 Constitution, only the President may submit bills that levy, amend or eliminate taxes. Municipal governments may also levy taxes. The 2008 Constitution provides that tax policy will promote redistribution and will stimulate employment, the production of goods and services, as well as ecologically, socially and economically responsible conduct. Furthermore, the 2008 Constitution expressly prioritizes direct and progressive taxes.

The value added tax applies to most sales of tangible assets as well as most services, except for educational, public transportation, public services, childcare services and others. In the first eight months of 2019, the value-added tax generated U.S.$4,258 million of total tax revenues, an increase from the U.S.$4,202 million generated in

the first eight months of 2018. This increase was primarily due to an improvement in tax collection as a result of automation of some collection processes. In the first nine months of 2019, the value-added tax generated U.S.$4,762 million of total tax revenues, an increase from the U.S.$4,708 million generated in the first nine months of 2018. In the first ten months of 2019, the value-added tax generated U.S.$5,295 million of total tax revenues, an increase from the U.S.$5,266 million generated in the first ten months of 2018.

In 2018, the value-added tax generated U.S.$6,384 million of total tax revenues, an increase from the U.S.$5,979 million generated in 2017. This increase was mainly due to the amounts of value-added tax collected from the non-financial public sector. The value-added tax has been the largest component of tax revenues in the past five years, generating U.S.$5,979 million of total tax revenues in 2017, an increase from U.S.$5,400 million in 2016. This increase was due to an improvement in economic activity. The value added tax steadily increased from 2012 to 2015, generating U.S.$5,415 million in 2012 and U.S.$6,352 million in 2015. The increase from 2012 to 2015 was not due to an increased rate which held steady at 12% for eight years until the Law of Solidarity increase to 14% for one year from June 1, 2016 until June 1, 2017 when that rate returned to 12%. Instead, the increase in revenues was due to the Government's increased capacity to collect this tax due to an improved administrative system and the tax reforms described in further detail below.

The second largest component of tax revenues is social security contributions, which accounted for U.S.$3,817 million of tax revenues in the first ten months of 2019, an increase from U.S.$3,740 million of tax revenues in the first ten months of 2018. In 2018, social security contributions accounted for U.S.$5,553 million of tax revenues, an increase from U.S.$5,415 million of tax revenues in 2017 and U.S.$4,741 million of tax revenues in 2016.

The third largest component of tax revenues is income tax, which accounted for U.S.$3,731 million of tax revenues in the first ten months of 2019, an increase from U.S.$3,596 million of tax revenues in the first ten months of 2018. In 2018, income tax accounted for U.S.$4,803 million of tax revenues, an increase from U.S.$3,764 million of tax revenues in 2017 and U.S.$3,640 million of tax revenues in 2016. Effective personal income tax rates for residents and non-residents who file tax returns in Ecuador range from 0% to 35%. The standard corporate tax rate in 2014 was 22%, down from 25% in 2012. However, a tax reform enacted in December 2014 increased the corporate tax rate to 25% for profits on distributions from Ecuadorian entities to residents domiciled in tax havens. Non-resident individuals are also subject to a flat income tax of 22% in 2013 (down from 24% in 2011 and 23% in 2012). The standard corporate tax rate for 2015 was 22% but increased to 25% for 2016 due to the 3% increase established by the Law of Solidarity. However, although the standard corporate tax rate decreased back to 22% for 2017, it was then increased to 25% under the Organic Law for the Reactivation of the Economy, Strengthening of Dollarization and Modernization of Financial Management.

Despite the decrease in revenues due to the fall of the price of oil in 2015 and 2016, revenues from income taxes have also steadily increased in the past six years. This increase was due to several tax reforms implemented during this period. Furthermore, the Organic Law for Productive Development, enacted on August 21, 2018, established an amnesty for interest, fines and surcharges on overdue tax obligations as of April 2, 2018, that is expected to bring in U.S.$602 million.

Tax Reforms

Historically, many individuals and companies did not pay taxes in Ecuador. Upon taking office, former President Correa aimed to change this behavior and institute a culture of paying taxes among citizens and companies. To that end, the Ministry of Education established the *Día de la Cultura Tributaria* ("Tax Culture Day") to be commemorated every April 27 and ran multiple television advertisements concerning the importance of tax payments. Ecuador completed these cultural efforts with legal reforms. Two of the most important reforms include the Reform Act to the Internal Tax Regime Law and the Reform Act for Tax Equity in Ecuador, which were enacted on December 23, 2009 and include the following measures:

- a 1% to 2% Currency Outflow tax, which was subsequently amended in November of 2011 to a 5% Currency Outflow Tax with an exemption, established in 2016, for the first U.S.$1,098 and U.S.$5,000

if a debit card or credit card is used (for more information regarding the Currency Outflow Tax, see "*Balance of Payments and Foreign Trade—Foreign Trade—Trade Policy*");

- taxation on dividends received by company shareholders as profits;

- changes in the manner in which the *Impuesto a los Consumos Especiales* ("Special Consumer Good Tax" or "ICE") calculates taxes on certain items for products such as cigarettes, alcoholic beverages and soft drinks. See "*The Ecuadorian Economy—Economic and Social Policies—Environmental Improvement and State Resources Optimization Law*";

- incentives for the production sector, such as a proposal to return the VAT for certain tourism activities, and exemptions on tax for reinvestment in science and technology; and

- a refund of the 12% VAT (increased to 14% for 2016 and returned to 12% effective June 1, 2017) for the public sector.

Other measures include the institution of numerous new individual tax deductions that encouraged the participation in payment of taxes. Taxpayers can apply these new deductions prior to the end of the tax year. Ecuador believes that the deductions and the advance payment system encourage participation and decreased the rate of tax evasion in the country. Ecuador has also improved its tax administration system to more easily identify tax evasion.

In December 2012, the National Assembly enacted the Comprehensive Law of Redistribution of Income for Social Expenditures, which went into effect on January 1, 2013. This law expands the scope of the VAT to certain financial services provided by credit card administrators and private financial entities that were previously exempt.

In August 2014, a U.S.$42 flat tariff rate was introduced for all international purchases under U.S.$400 that are delivered by courier and weigh up to 4 kilograms. Before the introduction of this flat tariff, only international purchases delivered by courier in excess of U.S.$400 and 4 kilograms were subject to tariffs. This flat tariff is intended to encourage local market consumption by discouraging small online purchases made outside the country. The tariff is imposed on courier services for each package that enters the country. Packages shipped through certain state-owned postal services subject to international treaties will be exempt from the tariff. Books for students for educational purposes are also exempt.

The Organic Law for Productive Development, enacted on August 21, 2018, established a reduced income tax rate for capital gains on the sale of shares of stock in a range from 0 to 10%.

Foreign Aid

As of 2012, Ecuador is no longer listed as a country in need of foreign aid based on revenue per capita requirements from the World Bank.

Central Government Expenditures

In 2014, Central Government expenditures represented U.S.$26,794 million before decreasing to U.S.$24,285 million in 2015. In 2015, while wages and salaries, increased by 4.8% from 2014 to U.S.$8,761 million (constituting 36% of Central Government spending and 8.7% of total GDP), fixed capital expenditures, decreased by 33.3% from 2014 to U.S.$5,542 million (constituting 23% of Central Government spending and 5.6% of total GDP). This decrease in capital expenditure is primarily due to decreased investment in Government projects as a result of budget adjustment, with the previously budgeted capital expenditure being deferred to later years. In 2016, Central Government expenditures represented U.S.$24,103 million before increasing to U.S.$24,312 million in 2017. This increase in capital expenditure is primarily due to an increase of U.S.$1,116 million in current expenditure principally due to interest payments and increases in institutional salaries like teaching, the health care professions,

the armed forces, and police, among others. Expenses for goods and services also increased in 2017 due to the opening of hospitals, schools, and community police units while capital expenditure decreased due to an optimization of investment projects. In 2018, Central Government expenditures represented U.S.$24,154 million compared to U.S.$24,312 million in 2017. In 2018, while the current expenditure increased by 10.5% from 2017 to U.S.$17,270 million, capital expenditure decreased by 20.7% from 2017 to U.S.$6,885 million. This increase in capital expenditure is primarily due to the payment of salaries on the public sector, the purchase of goods and net transfers. The decrease in capital expenditure in 2018 compared to 2017 is primarily due to a decrease in gross fixed capital formation.

2019 and 2020 Budgets

On October 31, 2018, the Ministry of Economy and Finance presented the 2019 Draft Budget (the "2019 Draft Budget") to the National Assembly. The 2019 Draft Budget provided for a budget of approximately U.S.$31,319 million, which represented a 2.8% decrease from the 2018 Draft Budget. The 2019 Draft Budget assumed an average crude oil price of U.S.$58.29 per barrel, estimated a GDP rate growth of 1.43% and an average annual inflation rate of 1.07%. The 2019 Draft Budget provided for about U.S.$22,361 million in total revenues and U.S.$26,016 million in total expenses, for an expected global deficit of U.S.$3,655 million, representing 3.2% of the GDP. On November 29, 2018, the National Assembly made 17 proposed changes, or recommendations, to the 2019 Draft Budget recommending, among others, maintaining the 2018 budget allocations for several ministries and agencies, including allocations to higher education, health and foreign commerce, that present cuts in the 2019 Draft Budget. On December 10, 2018, the Ministry of Economy and Finance sent the National Assembly a revised 2019 Draft Budget accepting nine of the 17 recommendations and reducing the Draft Budget by U.S.$17 million to U.S.$31,301 million, by, among other changes, adjusting the projected oil price per barrel to U.S.$50.05 and overturning the originally proposed cuts to health and higher education. On December 18, 2018 the National Assembly failed to ratify its objections into law and the 2019 Draft Budget (as sent to the National Assembly on December 10, 2018) became effective (the "2019 Budget"). The 2019 Budget provided for a budget of approximately U.S.$31,301 million. The 2019 Budget provided for about 22,362 million in total revenues and U.S.$25,998 million in total expenses, for an expected global deficit of U.S.$3,637 million. The 2019 Budget assumed an average crude oil price of U.S.$50.05 per barrel, estimates a GDP rate growth of 1.43% and an average annual inflation rate of 1.07%.

On October 31, 2019, President Moreno presented the 2020 Budget to the National Assembly for approval. On November 27, 2019, the National Assembly made 20 proposed changes, or recommendations, to the 2020 Budget recommending, among others, the rationalization of expenditure, further clarification of the proposed U.S.$2,000 million plan for monetization, including a contingency plan to account for the volatility of oil prices. The Executive branch submitted its response and the revised 2020 Budget on December 5, 2019. On December 17, 2019, the National Assembly voted against the 2020 Budget, failing to meet the legal deadline established for its approval under the law. In such cases where a draft budget law is not approved by the National Assembly within the legal deadline, under Ecuadorian law, such laws may be approved by default. Consequently, the 2020 Budget became effective on December 27, 2019. For more information on the budget process, see "*Public Sector Finances—Overview—Budget Process*." The 2020 Budget provides for a budget of approximately U.S.$35,498 million. The 2020 Budget assumes approximately U.S.$22,516 million in total revenue, which includes expected income from monetization of certain public assets, and approximately U.S.$25,900 million in total expenses, for an expected total deficit of approximately U.S.$3,384 million. The 2020 Budget assumes an average crude oil price of U.S.$51.3 per barrel, estimates a GDP rate growth of 0.57% and an average annual inflation rate of 0.84%. The 2020 Budget assumes approximately U.S.$8,917 million in financing needs, of which U.S.$4,696 million are expected from external financing sources, including multilateral institutions with approximately U.S.$3,643 million, government loans with approximately U.S.$380 million, international bonds with U.S.$400 million and commercial loans with approximately U.S.$273 million. Domestic financing is expected from local bonds with approximately U.S.$1,955 million. The remaining financing needs are expected to be covered by the balance from the prior year's budget with approximately U.S.$2,267 million. During the execution of the 2020 Budget, these financing needs estimates may change based upon changing market conditions and policy goals.

Article 118 of the Public Planning and Finance Code grants the Ministry of Economy and Finance the authority to modify any approved budget in an amount of up to 15% of any approved allocation. From time to time, the Ministry of Economy and Finance revises and adjusts the sources and uses of funds initially provided for in the budget.

PUBLIC DEBT

General

Public sector aggregate debt, including internal and external debt of the financial and non-financial public sector and the external Central Bank debt balance, was U.S.$38,136.6 million as of December 31, 2016, compared to U.S.$32,771.2 million as of December 31, 2015 and U.S.$30,140.2 million as of December 31, 2014.

Between October 2016 and October 2018, pursuant to Decree 1218, the consolidated methodology was the legal methodology in Ecuador to calculate the public sector debt to GDP in Ecuador and was in accordance with the IMF methodology, the IMF GFS. However, on October 30, 2018, the repeal of Decree 1218 became effective.

Public sector consolidated debt, including internal and external debt of the financial and non-financial public sector and the external Central Bank debt balance was U.S.$36,440.0 million as of December 31, 2018, compared to U.S.$32,639.5 million as of December 31, 2017 and U.S.$26,810.6 million as of December 31, 2016. The ratio of total public sector consolidated debt to GDP increased from 27.2% as of December 31, 2016 to 32.5% as of December 31, 2017.

Since April 2018, Ecuador has been using the aggregation methodology to calculate the public debt to GDP ratio. Public sector aggregate debt, including internal and external debt of the financial and non-financial public sector and the external Central Bank debt balance, was U.S.$49,463.4 million as of December 31, 2018, compared to U.S.$46,535.6 million as of December 31, 2017. The ratio of total public sector aggregate debt to GDP increased from 44.6% as of December 31, 2017 to 45.2% as of December 31, 2018.

Public sector aggregate debt, including internal and external debt of the financial and non-financial public sector and the external Central Bank debt balance, was U.S.$51,214.8 million as of March 31, 2019 (the period prior to the implementation of the New Methodology), compared to U.S.$48,931.3 million as of March 31, 2018. This increase in public sector aggregated debt was primarily due to disbursements of existing loans with China Development Bank, the issuance of the 2028 Notes, the GSI Repo Transaction, the CS Repo Transaction, and the issuance of the 2029 Notes, see "*Public Debt—Debt Obligations*."

Beginning with its April 2019 Debt Bulletin, Ecuador began issuing its periodic report on public debt under the New Methodology for calculating the public debt to GDP ratio set forth in the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*" below. In this Offering Circular, public debt figures starting on April 30, 2019 have been calculated based on the New Methodology.

Under the New Methodology, public sector aggregate debt, including internal and external debt of the financial and non-financial public sector and the external Central Bank debt balance, was U.S.$56,780. 6 million as of November 30, 2019, compared to U.S.$48,954.4 million as of November 30, 2018. This increase in public sector aggregated debt was primarily due to the disbursements of existing loans with the China Development Bank, the issuance of the 2029 Notes (see "*Public Debt—Debt Obligations—2029 Notes")* and the inclusion in the definition of public external debt under the New Methodology of oil presale contracts, liabilities under intangible contractual rights and the Central Bank's special drawing rights with the IMF.

The ratio of total public sector aggregate debt to GDP increased from 44.7% as of November 30, 2018, under the prior methodology to 52.0% as of November 30, 2019, under the New Methodology. As of November 30, 2019, interest payments on all debt obligations represented approximately 2.82% of GDP. The Organic Law for Productive Development, which became effective on August 21, 2018, provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply.

On December 20, 2018, the Regulation to the Organic Law for Productive Development became effective amending, among others, article 133 of the Rules to the Public Planning and Finance Code to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public

debt for the public sector, the non-financial public sector and the central government in a period of no more than 60 days after the end of each month. These amendments also provide that in establishing the total amount of public debt, the Ministry of Economy and Finance will consider the aggregate public debt/GDP indicator of the entities constituting the public sector. This indicator will be calculated and projected based on the public debt aggregate statements, at least for the final balances, for the following four years. Among other provisions, the regulation provides guidance for calculating the debt to GDP ratio for these purposes, as well as for reducing the balance of the public debt below 40% and for ensuring that the balance of the public debt does not exceed 40% of GDP after it has been reduced, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability*". See "*Risk Factors—Risk Factors relating to Ecuador—The Republic may incur additional debt beyond what investors may have anticipated as a result of a change in methodology in calculating the public debt to GDP ratio for the purpose of complying with a 40% limit under Ecuadorian law, which could materially adversely affect the interests of holders of the Notes*" and "*Risk Factors—The Office of the Comptroller General has issued a report with conclusions from its audit to the Republic's internal and external debt*" in this Offering Circular.

During President Moreno's tenure, Ecuador has strengthened ties with Latin American-based multilateral entities, including IDB, CAF, and FLAR, while opening to other multilateral entities such as the IMF. Ecuador continues to collaborate with long-time partners such as China, Spain and Brazil.

Under the 2008 Constitution, the National Assembly has the power to adopt legislation governing the issuance of public debt and to appropriate funds required for debt service. Acting pursuant to this constitutional mandate, the National Assembly approved the Public Planning and Finance Code, which governs the procedures that must be observed in all public debt matters. The Public Planning and Finance Code rules concerning public debt apply to the Ministry of Economy and Finance, which is the only Government institution allowed to contract for the issuance of sovereign debt by the Republic of Ecuador, as well as obligations of the municipalities guaranteed by the Government.

Because all public debt governed by the Public Planning and Finance Code must comply with the public indebtedness policies adopted by the executive branch, the Ministry of Economy and Finance must obtain the approval of the Debt and Finance Committee of the Republic of Ecuador before signing any agreement with respect to sovereign debt including the Notes. See "*Monetary System—Fiscal Policy*." This requirement is established by Article 289 of the 2008 Constitution and Article 139 of the Public Planning and Finance Code. Approval is not required for any obligation that is less than 0.15% of the General State Budget and does not have a sovereign guarantee. Any contract entered into by the Ministry of Economy and Finance that required, but did not obtain the approval of the Debt and Finance Committee is null and void and unenforceable and may give rise to civil and criminal liability for the individuals involved. Approval of the Debt and Finance Committee is evidenced by a signed memorandum signed by each member of the Debt and Finance Committee. Once the Ministry of Economy and Finance obtains approval of the Debt and Finance Committee, it may sign the agreement incurring debt obligations, *provided* that the Attorney General of Ecuador has approved any clauses providing for the application of foreign law and/or arbitration in a foreign jurisdiction. Loan proceeds are disbursed to the Ministry of Economy and Finance, which in turn, transfers such proceeds to the ultimate borrower.

The use of proceeds for public debt is limited by Article 126 of the Public Planning and Finance Code. Under the Public Planning and Finance Code, proceeds of public debt transactions may only be used to: (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the debt obligation and (3) refinance an existing external debt obligation on more favorable terms. The Public Planning and Finance Code prohibits public transactions for the purpose of paying ongoing expenses, with the exception of expenses related to health, education, and justice, under exceptional circumstances as determined by the President.

Although public debt service is the primary responsibility of the entity for whose benefit the loan was received, debt governed by the Public Planning and Finance Code is an obligation of the Government. Accordingly, transfers from the Government to any entity pursuant to the annual budget take into account debt service obligations for the following year.

This external debt process is in place to manage Ecuador's level of debt. The system of authorization through the Constitution and the Debt and Finance Committee, plus the 40% of debt to GDP limit and other

provisions from the Public Planning and Finance Code, seek to maintain a stable external debt and have resulted in a low debt to GDP ratio as compared to other countries.

External Debt

The total external debt of the public sector in Ecuador was U.S.$35,729.7 million as of December 31, 2018, compared to U.S.$31,749.8 million as of December 31, 2017, U.S.$25,679.3 million as of December 31, 2016, U.S.$20,225.2 million as of December 31, 2015 and U.S.$17,581.9 million as of December 31, 2014. The increase in public sector external debt between December 31, 2014 and December 31, 2018 was primarily the result of the disbursements of loans to develop various major infrastructure projects, mostly related to hydroelectric energy in Ecuador, to promote energy independence and reduce reliance on non-renewable energy sources, and the issuance of the 2020 Notes, the 2022 Notes, the 2026 Notes, the PAM 2019 Notes, the PAM Second Remarketing Notes, the 2023 Notes, the 2027 Notes, the Second 2027 Notes, the 2028 Notes, and the Republic's entrance into the GSI Loan Facility, the GSI Repo Transaction and CS Repo Transaction.

Under the New Methodology, public external debt as of November 30, 2019 was U.S.$40,788.6 million, an increase from U.S.$35,049.7 million as of November 30, 2018. This increase was primarily due to the inclusion in the definition of public external debt under the New Methodology of oil presale contracts, the inclusion of liabilities under intangible contractual rights, and inclusion of the Central Bank's special drawing rights with the IMF. As of November 30, 2019, total indebtedness owed to multilateral institutions was U.S.$11,396.1 million. The Republic is current on all its obligations to multilateral institutions. As of November 30, 2019, total indebtedness owed to bilateral entities was U.S.$6,332.6 million.

The following table sets forth information regarding Ecuador's public sector external debt as of dates indicated.

Public Sector External Debt

(by debtor, in millions of U.S. dollars at the end of the year, except percentages)

	As of December 31,					As of November 30,	
	2014 [(1)]	**2015** [(2)]	**2016**[(3)]	**2017**	**2018**[(4)]	**2018**	**2019**[(5)(6)]
Central Government	15,434	18,183	23,141	28,296	32,473	31,957.1	36,716.3
Public financial and non-financial entities	2,148	2,042	2,538	3,454	3,257	3,092.6	4,072.3
Total	**17,582**	**20,225**	**25,679**	**31,750**	**35,730**	**35,049.7**	**40,788.6**
External public debt as a percentage of nominal GDP[(4)]	17.3%	20.4%	25.7%	30.4%	32.6%	32.0%	37.4%

Source: Figures as of November 30, 2019, from the Ministry of Economy and Finance November 2019 Bulletin. Figures as of November 30, 2018, are from the Ministry of Economy and Finance November 2018 Bulletin. Annual figures from the Ministry of Economy and Finance March 2019 Bulletin.

(1) Includes the 2024 Notes.
(2) Includes the 2024 Notes and the 2020 Notes.
(3) Includes the 2024 Notes, the 2020 Notes, the 2022 Notes and the 2026 Notes.
(4) Includes the 2024 Notes, the 2020 Notes, the 2022 Notes, the 2026 Notes, the 2023 Notes, the 2027 Notes, the Second 2027 Notes, the 2028 Notes, the PAM 2019 Notes, the PAM First Remarketing Notes, the PAM Second Remarketing Notes and the GSI Loan Facility.
(5) Includes the 2029 Notes.
(6) November 30, 2019 figures have been calculated following the New Methodology. It includes oil presale contracts, the Central Bank's special drawing rights with the IMF and liabilities under intangible contractual rights.

The following table shows the composition of the Republic's external public debt by type of creditor for the periods presented. Provincial governments and municipalities may incur debt through the Ministry of Economy and Finance if they follow certain requirements established by law, and certain provincial and municipal governments have issued external debt, which is included in the table above under the heading of "Public financial and non-financial entities."

Public Sector External Debt by Type of Creditor

(in millions of U.S. dollars)

	As of December 31,					As of November 30,	
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019[1]**
Multilateral	6,560	7,928	8,247	8,488	9,462	9,105	11,396
Bilateral	6,145	6,425	7,998	7,405	6,770	6,359	6,333
Commercial and Bonds	4,877	5,873	9,434	15,858	19,498	19,586	23,060
Total Public Sector External Debt	**17,582**	**20,225**	**25,679**	**31,750**	**35,730**	**35,050**	**40,789**

Source: Figures as of November 30, 2019, from the Ministry of Economy and Finance November 2019 Bulletin. Figures as of November 30, 2018, are from the Ministry of Economy and Finance November 2018 Bulletin. Annual figures from the Ministry of Economy and Finance March 2019 Bulletin.

(1) Debt calculation includes oil presale contracts, the Central Bank's special drawing rights with the IMF and liabilities under intangible contractual rights.

The increase in bilateral debt of the Republic and public financial and non-financial entities from December 31, 2014 to December 31, 2018 was due mainly to the disbursements of existing loans with China Development Bank, China Exim Bank and the AFD.

In June 2003, the Republic agreed with its Paris Club creditors to reschedule U.S.$81 million of bilateral debt. Payments due on official development aid loans were rescheduled over a period of 20 years; those on other credits were rescheduled over a period of 18 years. As of the date of this Offering Circular, the Republic is in compliance with all of the terms of its Paris Club loans. Further, in recent years, the Republic has launched successful debt exchanges in Germany, Spain and Italy.

On January 7, 2015, Ecuador entered into a framework agreement for future cooperation with The Export-Import Bank of China. This agreement allows the Ministry of Economy and Finance (f.k.a. the Ministry of Finance) to regularly submit priority lists of projects which it proposes to be financed by The Export-Import Bank of China, within three years of the date of the agreement. The initial priority list included six projects to be financed at a total cost of U.S.$5.3 billion. The rights and obligations of the parties will be stipulated in relevant loan agreements to finance specific projects.

On February 26, 2015, Ecuador entered into a Foreign Purchase Credit Agreement with Deutsche Bank, Sociedad Anónima Española. The proceeds of the first disbursement of the loan were used to purchase radar equipment and other equipment for the air defense of Ecuador. This agreement provides for a U.S.$88 million facility to be repaid during a term of nine years.

On March 31, 2015, Ecuador entered into a 13 year, U.S.$85.7 million facility agreement with the Bank of China Limited, Panama Branch (U.S.$60.0 million commitment) and Deutsche Bank AG, Hong Kong Branch (U.S.$25.7 million commitment). The proceeds from the first disbursement of this facility were used for the restoration and improvement of the Sigchos—Chugchilán and Buena Vista—Vega Rivera—Paccha—Zaruma Highways.

In January 2016, Petroecuador entered into a credit agreement for a facility of up to U.S.$970 million from a consortium of banks led by Industrial and Commercial Bank of China Limited, The Export-Import Bank of China, and China Minsheng Banking Corp., Ltd. The facility relates to a multiparty contractual structure involving a crude oil delivery contract entered into with PetroChina. The credit has a term of five years and is guaranteed by the Republic of Ecuador acting through its Ministry of Economy and Finance. The first tranche of U.S.$820 million was disbursed on February 2016. On November 2017, the parties entered into an amendment agreement to the credit facility agreement. The second tranche of U.S.$150 million was disbursed shortly thereafter.

In February 2016, the Republic entered into a U.S.$198 million loan agreement with The Export-Import Bank of China, to finance the first phase of Yachay as part of the framework agreement for future cooperation entered into between the parties on January 7, 2015. The loan agreement has a 3% interest rate and a term of 20 years.

On July 15, 2016, Ecuador's Ministry of Economy and Finance and the *Instituto de Crédito Oficial* (the Official Credit Institute of Spain), acting for Spain, entered into a U.S.$183.6 million credit agreement for the financing of the supply of rolling stock, auxiliary vehicles, workshop tools and equipment and parts for Quito's first metro line.

On July 28, 2016, IESS entered into two loans for U.S.$65.0 million and U.S.$13.3 million, respectively, both with Deutsche Bank, Sociedad Anónima Española, as agent, various other financial institutions, as mandated lead arrangers and Ecuador, acting through its Ministry of Economy and Finance, as guarantor. The loans are to be repaid over a term of seven years and are to be used to finance the construction and outfitting of hospitals in the cities of Guayaquil and Machala, respectively.

On September 23, 2016, Ecuador entered into a U.S.$100 million bilateral loan agreement with CAF to finance costs related to damages to infrastructure and housing caused by the Pedernales Earthquake.

On October 31, 2016, the Republic entered into two loans with the IDB for U.S.$160 million and U.S.$143 million, respectively. The Republic is using the proceeds of the loans to support education and energy programs.

On November 14, 2016, the Republic entered into a U.S.$175 million loan with the European Investment Bank to be used towards reconstruction efforts in those areas affected by the Pedernales Earthquake.

On November 17, 2016, the Republic, acting through its Ministry of Economy and Finance, entered into a 20-year, U.S.$102.6 million loan facility with The Export-Import Bank of China to be used to finance the survey, design and construction of the Santa Ana Aqueduct Hydraulic Stage One Project as part of the framework agreement for future cooperation entered into between the parties on January 7, 2015.

On November 29, 2016, the Republic entered into a U.S.$19.7 million loan facility with a final amortization date of October 15, 2041 with the IDB to finance costs related to its emergency response program for reconstruction efforts in those areas affected by the Pedernales Earthquake.

On December 1, 2016, Petroecuador signed a crude oil sale and purchase contract with PTT International, pursuant to which Petroecuador received initial prepayments of U.S.$600 million shortly after signing for crude oil to be delivered during the five-year term of the contract. On December 6, 2016, Petroecuador signed a fuel oil sale and purchase contract with OTI, pursuant to which Petroecuador received an initial prepayment of U.S.$300 million for fuel oil to be delivered to OTI during the 30-month term of the contract, which has been already fully amortized by Petroecuador. As of October 2019, no barrels of fuel oil remained pending delivery. In connection with each contract, the Republic has agreed to refund to the purchasers any amounts of the prepayments and related surcharges for advance payment which are not otherwise satisfied through the delivery of crude oil or fuel oil, respectively, or refunded by Petroecuador in accordance with the contracts.

As of December 31, 2016, the top three bilateral lenders to Ecuador were China, Brazil, and Spain, with debt levels of U.S.$6,974.5 million (87.2% of the total bilateral debt), U.S.$227.7 million (2.8% of the total bilateral debt) and U.S.$133.4 million (1.7% of the total bilateral debt), respectively.

As of December 31, 2017, the top three bilateral lenders to Ecuador were China, United States of America, and Spain, with debt levels of U.S.$6,338.9 million (85.6% of the total bilateral debt), U.S.$537.5 million (7.3% of the total bilateral debt) and U.S.$420.2 million (5.7% of the total bilateral debt), respectively.

As of December 31, 2018, the top three bilateral lenders to Ecuador were China, France and Spain, with debt levels of U.S.$5,695.9 million (84.1% of the total bilateral debt), U.S.$348.5 million (5.1% of the total bilateral debt) and U.S.$226.3 million (3.3% of the total bilateral debt), respectively.

As of November 30, 2019, the three main bilateral lenders to Ecuador were China, France and Spain, with debt levels of U.S.$5,197.3 million (82.1% of the total bilateral debt), U.S.$438.5 million (6.9% of the debt total bilateral) and U.S.$257.9 million (4.1% of total bilateral debt), respectively. As of November 30, 2019, total

indebtedness owed to bilateral entities was U.S.$6,332.6 million. The Republic is current on all of its obligations to bilateral lenders.

Total indebtedness owed to multilateral institutions was U.S.$11,396.1 million as of November 30, 2019, U.S.$9,461.9 million as of December 31, 2018, U.S.$8,487.6 million as of December 31, 2017, and U.S.$8,247.2 million as of December 31, 2016. The Republic is current on all its obligations to multilateral institutions.

From 2010 to 2018, Ecuador entered into five separate loan agreements (denominated in U.S. dollars and Chinese Renminbi) with China Development Bank totaling approximately U.S.$7,900 million, which are related to a multi-party contractual structure that involves crude oil delivery contracts entered into with PetroChina and Unipec. Deliveries under these contracts are based upon international spot prices, based on a formula consisting of WTI plus or minus a spread, plus a premium paid due to the term of the contracts. The spread is calculated using (i) a yield table setting forth the contemporary market price of the expected outputs of refining the crude oil delivered, (ii) a factor taking into account shipping costs based on market information, and (iii) the quality of crude oil as measured by the American Petroleum Institute. Under these agreements, Ecuador is required to invest the loaned amounts in specific infrastructure projects or programs in Ecuador. The first loan agreement, signed in 2010, totaling U.S.$1,000 million, was repaid in its entirety, at the end of its original four-year term. The second loan agreement, signed in 2011, totaling approximately U.S.$2,000 million, had an eight-year term and was voluntarily prepaid in its entirety on September 27, 2018. The third loan agreement, signed on December 20, 2012, totaling approximately U.S.$2,000 million, has an eight-year term. The fourth loan agreement, signed on April 29, 2016, totaling approximately U.S.$2,000 million, has an eight-year term. The fifth loan agreement denominated in U.S. dollars and Chinese Renminbi, signed on December 12, 2018, totaling approximately U.S.$900 million, has a six-year term.

On December 22, 2016 the Municipality of Ibarra entered into a U.S.$52.5 million loan with the World Bank for a transport infrastructure improvement project. The loan has a term of twenty-four years and is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On December 22, 2016, Ecuador, acting through its Ministry of Economy and Finance, entered into a 12 year term loan facility for U.S.$167.4 million with Bank of China Limited, Beijing Branch, Bank of China Limited Liaoning Branch, Bank of China Limited, Panama Branch, Bank of China, Hong Kong Branch and Deutsche Bank AG, Hong Kong Branch. The proceeds of the facility were used to finance the construction of schools in Ecuador and purchase of related goods and equipment.

On December 22, 2016, Ecuador entered into a U.S.$90.5 million loan with the World Bank for a term of 35 years to finance a project to increase the enrollment of technical and technological educational programs in Ecuador and strengthen the institutional management of such programs.

On December 28, 2016, Ecuador entered into a U.S.$72.9 million credit agreement with a term of twenty years with the European Investment Bank to finance the construction, renovation and equipment of 21 technical and technological institutes of higher education in Ecuador.

On February 2, 2017, the IESS entered into a U.S.$25 million credit agreement with Consorcio NHQ with 50% of the total principal amount due 30 days from the date of execution of the agreement and the remaining 50% of the total principal amount due 24 months from the date of execution of the agreement and will be used to partially finance the construction and equipment of a hospital in the city of Quito. This credit agreement was fully repaid in December 2019.

On February 21, 2017, Ecuador entered into a U.S.$50 million loan with the JBIC with a term of 12 years to finance an energy efficiency project related to residential water heating.

On March 14, 2017, Ecuador entered into a U.S.$200 million loan with the CAF with a term of two years to partially finance projects relating to the generation, distribution and transmission of electricity, of which only U.S.$80 million were ultimately disbursed.

On April 1, 2017, Ecuador entered into a U.S.$75 million loan with AFD with a term of 20 years to finance certain educational projects.

On April 18, 2017, Ecuador entered into a U.S.$60 million loan with the IDB with a term of 25 years to finance the reconstruction of electrical infrastructure in areas affected by the Pedernales Earthquake and the incorporation of seismic resistant infrastructure in the provinces of Esmeraldas, Manabí and Santo Domingo.

On May 22, 2017, the IESS entered into a seven year U.S.$47 million credit agreement with Deutsche Bank, Sociedad Anónima Española, Banco Santander, S.A. and Banco Popular Español, S.A. guaranteed by Ecuador to partially finance the construction and the purchase of equipment for the IESS hospital in the city of Quito.

On August 11, 2017, Ecuador entered into a U.S.$65 million credit facility agreement with the AFD with the principal amount due in semi-annual installments and with the last installment due on December 1, 2036. The proceeds will be used to finance the reconstruction of housing by CFN or CONAFIPS adding earthquake resistant features and to reactivate the main productive sectors in the Ecuadorian provinces most affected by the Pedernales Earthquake.

On October 20, 2017, the Ecuadorian Development Bank entered into an eight year U.S.$200 million facility agreement with China Development Bank guaranteed by Ecuador, acting through its Ministry of Economy and Finance. The first tranche of U.S.$120 million will be used for on-lending by DBE to eligible Ecuadorian state-owned enterprises and government agencies for purposes of financing projects in Ecuador that are approved by China Development Bank. As of January 6, 2020, U.S.$120 million corresponding to the first tranche have been disbursed. The second tranche of U.S.$80 million will be used for on-lending by DBE to eligible Ecuadorian state-owned enterprises and government agencies for purposes of financing payments to be made to suppliers in connection with telecommunications, road construction, transportation and equipment, sewage, potable water and sanitation projects. As of the date of this Offering Circular, no amount corresponding to the second tranche has been disbursed.

On December 20, 2017, the Republic entered into a credit facility agreement with the AFD for an amount of up to U.S.$35 million to finance, in part, housing and reconstruction in Ecuadorian areas affected by the Pedernales Earthquake. The first installment is due and payable on December 1, 2022 and the last installment is due and payable on June 1, 2037.

On December 29, 2017, the Republic entered into a financing agreement with the International Fund for Agricultural Development to finance the Revitalizing Project of Inclusive Alliances in Value Chains with the purpose of improving the income of small producers of cacao, blueberry and cape gooseberry within a designated area. The financing agreement establishes a facility for an amount of U.S.$25.66 million with a repayment term of 18 years and a donation for an amount of U.S.$250,000.

On June 30, 2018, the Republic entered into a financing agreement with the FLAR for an amount of U.S.$368.8 million. This financing facility establishes a repayment term of three years with a year of grace for the payment of principal. The loan was disbursed on July 5, 2018.

On September 7, 2018, the Republic entered into a U.S.$250 million additional loan facility with a final amortization date of May 15, 2040, with the IDB to finance costs related to the construction of a subway system in Quito.

On September 7, 2018, the Republic entered into a U.S.$237.6 million loan facility with a final amortization date of December 15, 2042, with the IDB to finance the phase I of a project to improve quality in the provision of social services.

On September 14, 2018, Ecuador entered into a U.S.$150 million loan with the CAF with a term of 12 years, with a 12-month grace period for the payment of principal, to partially finance projects relating to the generation, distribution and transmission of electricity.

On September 26, 2018, the Republic increased the existing financing agreement with Credit Suisse dated October 27, 2014, for an additional amount of CHF100 million. This financing facility establishes a repayment term of seven years.

On November 28, 2018 the Municipality of the Metropolitan District of Quito and CAF entered into a U.S.$152.2 million loan agreement to partially finance the Quito subway system currently under construction. This loan agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On November 29, 2018, the Municipality of the Metropolitan District of Quito and the IBRD entered into a U.S.$230 million loan agreement, to be repaid by March 15, 2038, to finance the construction of two subway stations as well as other infrastructure and facilities, and the provisioning of equipment and technical and implementation support for line one of the Quito subway system currently under construction. This loan agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On November 29, 2018, the EMAPAG EP and the IBRD entered into a U.S.$233.6 million loan agreement, to be repaid by March 1, 2053, to finance the increase of access to improved sanitation services and to reduce wastewater pollution in selected areas of Guayaquil. This loan agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On December 11, 2018, the Republic and the IDB entered into a U.S.$100 million loan agreement to be disbursed in two installments in two years, with a final amortization date of October 15, 2038, to finance a program of reforms in Ecuador promoting gender equality and equality for the disabled.

On December 12, 2018, the Republic and CAF entered into an up-to U.S.210 million loan agreement, with a term of 15 years and a 42-month grace period for the payment of the principal, to partially finance programs supporting the management of the Republic's fiscal policy and the sustainability of public finance, among other related goals.

On December 12, 2018, the Republic and the Export-Import Bank of China entered into an up-to RMB485.7 million loan facility agreement, with a 240-month maturity period, a 60-month grace period and a 180-month repayment period, to cover the Republic's financing needs for the construction of infrastructure projects agreed with the joint venture China Road and Bridge Corporation & China National Electronics Import & Export Corporation on November 30, 2017.

On December 12, 2018, the Republic and China Development Bank entered into a U.S.$675 million and RMB1,530 million facility agreement where each loan made under the facility shall be repaid in 16 installments, each payable every three months. On December 28, 2018, an amount of U.S.$450 million was disbursed to the Republic and on January 14, 2019 an additional amount of U.S.$225 million was disbursed to the Republic.

On January 31, 2019, the Republic successfully issued the 2029 Notes. The Republic is current on its financial obligations under the 2029 Notes.

On March 12, 2019, the Republic entered into a U.S.$50 million loan facility with the IDB, with a final amortization date of November 15, 2043, to finance a program aimed at improving the quality of public services for child development in Ecuador.

On March 13, 2019, the Republic received from the IMF an initial disbursement of U.S.$652 million under the IMF's arrangement under the IMF's Extended Fund Facility for Ecuador.

On April 1, 2019, Ecuador entered into a U.S.$192 million loan facility with the CAF, with a term of 18 years and grace period of 66 months, to partially finance projects relating to the maintenance of 1,183.9 kilometers of roads in Ecuador.

On April 10, 2019, the Republic entered into a U.S.$50 million loan facility with the IDB, with a final amortization date of November 15, 2043, to finance a program aimed at increasing private participation in public investments in infrastructure and public services in Ecuador.

On May 24, 2019, the Republic and the CAF entered into a U.S.$300 million loan agreement, with a term of 15 years and a 42-month grace period for the payment of the principal, to finance programs and projects in the logistics sector.

On May 24, 2019, the Republic entered into a U.S.$500 million loan agreement with the IDB with a final amortization date of May 24, 2026 in order to support macroeconomic and fiscal stability, strengthen the institutional framework of the Central Bank, and provide funds for social expenditure for the most vulnerable segments of the population.

On May 28, 2019, the Republic and the CAF entered into a U.S.$100 million loan agreement, with a term of 16 years and a 66-month grace period for the payment of the principal, to partially finance the Environmental Sanitation for Community Development Program.

On May 29, 2019, the Republic reopened its 2023 Notes, issuing an additional U.S.$688,268,000 of notes at a price of 106.597%, also due 2023, for the purpose of a substitution under the Amended August 2018 GSI-Ecuador Repurchase Agreement. See "*GSI Repo Transaction*" below.

On June 17, 2019, the Republic reopened its 2029 Notes and successfully issued an additional U.S.$1,125,000,000 million of notes due 2029 at a price of 110.746%. The Republic applied the proceeds of the reopened 2029 Notes towards the repurchase of U.S.$1,175,370,000 principal amount of its 2020 Notes by means of a tender offer that settled on June 18, 2019.

On June 17, 2019, the Republic and the IBRD entered into a U.S.$500 million loan agreement maturing June 1, 2049, with proceeds used to promote government efficiency, remove barriers to private sector development and provide funds for social expenditure for the most vulnerable segments of the population.

On July 2, 2019, the Republic received from the IMF a second disbursement of U.S.$251 million under the IMF's Extended Fund Facility.

On July 3, 2019, the Republic and the IDB entered into a U.S.$150 million loan agreement maturing November 15, 2042, with the goal of providing support to the Republic's plan to diversify its energy assets.

On July 12, 2019, the Republic and the IDB entered into a U.S.$93.9 million loan agreement maturing June 15, 2044, with the goal of promoting housing to poor and vulnerable communities under the Housing for All Program.

On July 22, 2019, the Republic and the IBRD entered into a U.S.$350 million loan agreement maturing March 15, 2049, with the goal of improving equity, integration and sustainability of social programs and providing technical assistance for capacity building, monitoring and evaluating social programs.

On July 23, 2019, the Republic and the IDB entered into a U.S.$300 million loan agreement maturing April 15, 2039, with the goal of supporting the Government's plan for fiscal stability to facilitate sustainable growth and key contributions to social development.

On July 23, 2019, the EPMAPS EP and the IDB entered into a U.S.$87.1 million loan agreement with disbursements spread over six years with a final principal amortization date of July 23, 2043, with the goal of providing financial support for the maintenance of Quito's sewage and potable water systems. This loan agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On August 6, 2019, the Republic reopened its 2023 Notes and 2026 Notes, issuing an additional U.S.$610,359,000 of its 2023 Notes at a price of 107.291%, and U.S.$611,870,000 of its 2026 Notes at a price of

107.026%, for the purpose of a substitution under the October 2018 CS-Ecuador Repurchase Agreement, see "*CS Repo Transaction*" below.

On August 13, 2019, the CFN and the CAF entered into a U.S.$50 million loan agreement to be repaid in 15 years, with the goal of supporting the *Progresar* program of the CFN which seeks to incentivize the diversification of Ecuador's economy. This loan agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On August 28, 2019, the Republic and the IDB entered into a U.S.$12 million loan agreement maturing May 15, 2044, to support further investment in Ecuador.

On August 29, 2019, the EMAPAG EP and the CAF entered into a U.S.$84 million credit facility agreement maturing July 31, 2039, to support the improvement of sanitation in Guayaquil. This facility agreement is guaranteed by Ecuador acting through the Ministry of Economy and Finance.

On September 4, 2019, the Republic and the IDB entered into a U.S.$100 million loan agreement maturing October 15, 2043, with the goal of supporting the modernization and renovation of the Ecuadorian electric system.

On September 9, 2019, the Republic and the IDB entered into a U.S.$40.08 million loan agreement maturing December 15, 2043, with the goal of supporting people with disabilities.

On September 27, 2019, the Republic successfully issued U.S.$600 million of its 2025 Notes with a coupon of 7.875% at 100.000% of the purchase price and U.S.$1,400 million of its 2030 Note with a coupon of 9.500% at 100.000% of the purchase price.

In the fourth quarter of 2019, the Republic has signed the following facility agreements with export credit agencies, official development agencies, and multilateral financial institutions: (1) on October 4, 2019, the Republic and the IDB entered into a U.S.$43 million loan agreement maturing July 15, 2044, with the goal of supporting the Financial Management Modernization Program; (2) on November 4, 2019, the Republic and The Export-Import Bank of China entered into a RMB 390 million concessional loan agreement and a RMB 734 million concessional loan agreement, each with a term of twenty years; (3) on November 18, 2019, the Republic and the IDB entered into a U.S.$75 million loan agreement maturing September 15, 2044, with the goal of supporting the State-owned Enterprise Reform Support Program; (4) on November 18, 2019, the Republic and CAF entered into a U.S.$203 million loan agreement, as amended on November 27, 2019, maturing in 15 years with a 66-month grace period with the goal of supporting Ecuador’s Urban Plan and Habitat Policy Program; (5) on November 22, 2019, the Republic and the AFD entered into an U.S.$80 million credit facility agreement maturing on July 31, 2039, with the goal of supporting fully-subsidized social housing and other components of the Housing for All Program which are different to those components of the project that will be financed with the proceeds of the Notes; and (6) on December 10, 2019, the Republic and the AFD entered into a U.S.$150 million credit facility agreement maturing on January 31, 2040, with the goal of supporting policies targeting climate change.

Moreover, in the fourth quarter of 2019, the Republic through its Ministry of Economy and Finance has entered into guarantee agreements for the following loan agreements: (1) the U.S.$40 million loan agreement dated November 29, 2019, between BanEcuador B.P. and CAF, to be repaid in 15 years, to finance small and medium-sized producers of cocoa and palm and the institutional strengthening of BanEcuador; (2) the U.S.$34.12 million loan agreement dated December 20, 2019, between the *Empresa Pública Municipal de Telecomunicaciones, Agua Potable, Alcantarillado y Saneamiento de Cuenca Etapa EP* and CAF, to be repaid in 18 years, to partially finance the Construction Project of the Guangarcucho Wastewater Treatment Plant; (3) the EUR19.0 million loan agreement dated December 23, 2019, between the *Honorable Gobierno Provincial de Tungurahua* (HGPT), Tunguragua, Ecuador and KfW, Frankfurt am Main, to be repaid by December 30, 2049, to finance the investments in the strengthening of irrigation systems as well as other measures for the protection of water resources of the Province of Tungurahua, Ecuador, as well as certain consulting services.

On December 19, 2019, the Republic received from the IMF a disbursement of about U.S.$498 million under the IMF's Extended Fund Facility.

Certain of the finance documents that the Republic had previously expected to sign during the fourth quarter of 2019 were not executed at that time, and accordingly the total amount of finance documents executed during the fourth quarter of 2019 was less than the U.S.$864 million originally expected.

The following table lists current material bilateral and multilateral indebtedness by agreement and lender.

Material Public External Debt
(in millions U.S.$)

Creditor	Interest Rate Type	Currency	Date Issued	Maturity	Balance as of November 30, 2019
Multilateral					
IDB	Variable	U.S.$	1971- 2019	2019-2049	5,502.6
CAF	Variable	U.S.$	2006- 2018	2019-2038	3,424.5
IMF	Variable	DEG	2019	2031	892.7
FLAR	Variable	U.S.$	2018	2021	286.9
Others[1]	Fixed, Variable	DEG, U.S.$	1970-2018	2019-2053	1,289.4
Total Multilateral Debt					**11,396.1**
Bilateral					
China	Fixed, Variable	RMB, U.S.$	2010-2018	2020-2038	5,197.3
Brazil	Variable	U.S.$	2012-2013	2022-2023	97.6
Spain	Fixed	U.S.$	1990-2016	2020-2042	257.9
France	Fixed, Variable	Euro, U.S.$	1988-2017	2018-2037	438.5
Italy	Fixed	Euro	1995-2016	2025-2048	10.5
Japan	Fixed, Variable	Yen, U.S.$	1996-2017	2024-2028	85.5
Others [2] [3]	Fixed, Variable	DEG, Won, Libra, Chf	1986-2013	2022-2053	245.3
Total Bilateral Debt					**6,332.6**
Other Debt [4]					**23,059.9**
Total External Debt					**40,788.6**

Source: Ministry of Economy and Finance as of November 30, 2019. Calculation of material public sector external debt does not include oil presale contracts, the Central Bank's special drawing rights with the IMF and liabilities under intangible contractual rights.

(1) Other multilateral loans include loans with the International Bank for Reconstruction and Development and the International Fund for Agriculture Development.
(2) Includes amounts from loans from Paris Club members.
(3) Other bilateral lenders include South Korea, Germany and the United States, among others.
(4) "Other debt" includes commercial debt and amounts owed under the 2030 Notes, the 2020 Notes, the 2022 Notes, the 2024 Notes, the 2026 Notes, the 2023 Notes, the 2027 Notes, the Second 2027 Notes, the 2028 Notes, the 2029 Notes, the PAM 2019 Notes, the PAM First Remarketing Notes, the PAM Second Remarketing Notes, the Brady Bonds, under the GSI Loan Facility and under the GSI Repo Transaction and CS Repo Transaction.

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, 2017		As of December 31, 2018		As of November 30, 2019[3]	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	(in millions of U.S. dollars, except percentages)		(in millions of U.S. dollars, except percentages)		(in millions of U.S. dollars, except percentages)	
Fixed Rate						
0-3%	1,662.1	5.23%	1,106.7	3.1%	2,448.9	6.0%
3-5%	580.7	1.83%	662.6	1.9%	788.6	1.9%
5-8%[1]	8,192.1	25.80%	7,859.4	22.0%	7,079.3	17.4%
More than 8%[2]	10,439.1	32.88%	13,454.1	37.7%	16,118.7	39.5%
Floating Rate	10,875.8	34.25%	12,612.7	35.3%	14,353.1	35.2%
Total	**31,749.8**	**100%**	**35,695.5**	**100%**	**40,788.6**	**100%**

Source: 2017 figures from Ministry of Economy and Finance December 2017 Bulletin, 2018 figures from Ministry of Economy and Finance December 2018 Bulletin, and November 30, 2019 figures from Ministry of Economy and Finance November 2019 Bulletin.

(1) Reflect the amounts under the 2024 Notes.

(2) Reflects the amounts under the 2015 Notes, 2020 Notes, 2022 Notes, 2026 Notes, 2023 Notes, the 2027 Notes, the Second 2027 Notes, the 2028 Notes, the PAM 2019 Notes, the PAM First Remarketing Notes, the PAM Second Remarketing Notes, the 2030 Notes and the 2029 Notes.

(3) Public sector external debt calculation includes oil presale contracts, the Central Bank's special drawing rights with the IMF and liabilities under intangible contractual rights.

The following table sets forth scheduled debt service for the Republic's total public external debt for the periods presented.

Public Sector External Debt Service Maturity 2019-2029

(in millions of dollars)

For the Year Ending December 31,

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Central Government	**5,478**	**5,340**	**4,314**	**6,003**	**5,105**	**5,204**	**3,434**	**4,133**	**5,868**	**4,714**	**3,222**
Principal	3,098	**2,547**	1,952	3,857	3,226	3,558	1,967	2,752	4,752	4,042	2,823
Interest	2,380	**2,792**	2,361	2,146	1,880	1,646	1,467	1,381	1,116	673	399
Rest of Public Sector	**1,004**	**893**	**297**	**230**	**212**	**191**	**162**	**114**	**98**	**90**	**134**
Principal	846	**723**	223	171	163	150	128	84	70	64	111
Interest	158	**170**	74	59	49	42	34	30	28	26	23
Total Debt Service	**6,482**	**6,233**	**4,611**	**6,232**	**5,318**	**5,395**	**3,597**	**4,246**	**5,966**	**4,804**	**3,356**

Source: Ministry of Economy and Finance as of November 2019.

Debt with the Inter-American Development Bank

As of November 30, 2019, the Republic's indebtedness with the IDB amounts to U.S.$5,502.6 million, which represents 9.7% of the Republic's total indebtedness. As of November 30, 2019, the total amount of indebtedness of public companies such as EPMAPS EP with the IDB, guaranteed by the Republic, amounts to U.S.$403.1 million.

Internal Debt

The Government's internal debt consists of obligations to both public sector and private entities. Public sector aggregate internal debt decreased from U.S.$12,558.3 million as of December 31, 2014 to U.S.$12,546.0 million as of December 31, 2015. Total public aggregate internal debt decreased by U.S.$88.6 million from U.S.$12,546.0 million in December 31, 2015 to U.S.$12,457.4 million in December 31, 2016 because the amount of debt repaid at maturity exceeded the amount of debt incurred during this period. Total public aggregate internal debt increased by U.S.$2,328.3 million from U.S.$12,457.4 million in December 31, 2016 to U.S.$14,785.7 million in

December 31, 2017. This increase was primarily due to bond issuances by the Republic. As of December 31, 2018, public sector aggregate internal debt was U.S.$13,733.7 million, a decrease from U.S.$14,785.7 million as of December 31, 2017. This decrease was primarily due to the repayment of certain notes upon maturity. As of November 30, 2019, public sector aggregate internal debt was U.S.$15,992.0 million, a 15.0% increase from U.S.$13,905 million as of November 30, 2018. This increase was primarily due to outstanding obligations of the Government (accrued but unpaid) to the public and private sectors that were already recorded in the closed budgets of the General State Budget for previous years and debt instruments entered into by entities of the non-financial public sector with the Ecuadorian Development Bank.

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

Public Sector Aggregate Internal Debt
(in millions of U.S. dollars, except percentage)

	As of December 31,					As of November 30,	
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019**
Central Government Notes	11,779	11,779	11,695	14,021	12,935	13,106	13,125
Governmental Entities [(1)]	780	766	762	765	799	799	2,867
Total[(3)]	**12,558**	**12,546**	**12,457**	**14,786**	**13,734**	**13,905**	**15,992**
Internal public debt as a percentage of nominal GDP[(4)]	12.3%	12.6%	12.5%	14.2%	12.5%	12.7%	14.7%

Source: Ministry of Economy and Finance March 2019 Bulletin. Figures as of November 30, 2019 and November 30, 2018, from the Ministry of Economy and Finance November 2019 and November 2018 Bulletins, respectively.

(1) Debt of the Government with the IESS and the Ecuadorian Development Bank.
(2) Calculated under the New Methodology and includes, in addition to the debt of the Government with the IESS and the Ecuadorian Development Bank, outstanding obligations of the Government (accrued but unpaid) to the public and private sectors that were already recorded in the closed budgets of the General State Budget for previous years and debt instruments entered into by entities of the non-financial public sector with the Ecuadorian Development Bank.
(3) Total public sector internal debt under the aggregation methodology.
(4) Calculated using Central Bank GDP data.

As of November 30, 2019, approximately 82.1% of Ecuador's internal public indebtedness consists of long-term originally issued dollar-denominated notes. Currently, all internal debt obligations are issued through the Ministry of Economy and Finance. As of November 30, 2019, approximately 64.6% of Ecuador's internal public indebtedness consists of debts of the Government with the IESS and the Ecuadorian Development Bank, outstanding obligations of the Government (accrued but unpaid) to the public and private sectors that were already recorded in the closed budgets of the General State Budget for previous years and debt instruments entered into by entities of the non-financial public sector with the Ecuadorian Development Bank.

As of November 30, 2019, the Ministry of Economy and Finance's obligations with the Central Bank with respect to financial investments through long-term Government bonds amount to U.S.$3,613.3 million.

The last of the Ministry of Economy and Finance's short-term obligations with the Central Bank was only a CETES for an amount of U.S.$11.97 million with maturity on March 23, 2019. As of the date of this Offering Circular, the Republic has no outstanding debts with the Central Bank through CETES.

On May 18, 2017, the Ministry of Economy and Finance transferred assets consisting in shares of financial institutions controlled by the Republic worth U.S.$2,136.55 million in payment of debt incurred with the Central Bank for U.S.$2,121.78 million plus accrued interest for U.S.$14.77 million. As a result, public internal debt decreased by U.S.$2,121.78 million.

On April 24, 2017, the Ministry of Economy and Finance transferred Central Bank Certificates to Petroamazonas' primary vendors and service providers, in exchange for U.S.$150 million of accounts payable with such entities, satisfying Petroamazonas' obligations. Furthermore, on September 4, 2017, the Ministry of Economy and Finance transferred additional Central Bank Certificates to Petroamazonas' primary vendors and service providers, in exchange for U.S.$100 million of accounts payable with such entities, satisfying Petroamazonas' obligations.

The Ministry of Economy and Finance and COSEDE, acting as trustees, temporarily assumed the debts and assets of AGD. They were then permanently transferred to CFN. For further information on these transfers, see "*Monetary System—The Financial Safety Net-Deposit Insurance*." Notes issued by the AGD matured and were fully paid off by the Government in December 2014.

Public Sector Aggregate Internal Debt
(in millions of U.S.$, except percentages)

	As of December 31,										As of November 30,			
	2014		2015		2016		2017		2018		2018		2019	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Short-term notes	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Long-term notes [1]	11,779	93.8	11,780	93.9	11,695	93.9	14,021	94.8	12,935	94.2	13,106	94.3	13,125	82.1
AGD notes [2]	–	–	–	–	–	–	–	–	–	–	–	–	–	–
CFN notes [3]	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total notes	**11,779**	**93.8**	**11,780**	**93.9**	**11,695**	**93.9**	**14,021**	**94.8**	**12,935**	**94.2**	**13,106**	**94.3**	**13,125**	**82.1**
Governmental Entities[4]	**780**	**6.2**	**767**	**6.1**	**762**	**6.1**	**765**	**5.2**	**799**	**5.8**	**799**	**5.7**	**2,867[5]**	**17.9**
Total internal debt[6]	**12,558**	**100**	**12,546**	**100**	**12,457**	**100**	**14,786**	**100**	**13,734**	**100**	**13,905**	**100**	**15,992**	**100**

Source: Figures as of December 31 from the Ministry of Economy and Finance March 2019 Bulletin. Figures as of November 30, 2018 and as of November 30, 2019, from the Ministry of Economy and Finance November 2018 and November 2019 Bulletins, respectively.

(1) Securities placed by Ecuador according to decrees and resolutions issued to finance projects from the state budget and annual investment plan.
(2) Law 98-17 of November 26, 1998, published in Official Gazette No. 78 of December 1, 1998 ("Law 98-17") authorized the issuance of government bonds as part of the resources for the operations of the Deposit Guarantee Agency. These bonds were issued for a term of 15 years, with payment of principal at maturity and annual interest payments at a rate of 12%.
(3) These bonds issued under Law 98-17 as a capital contribution to the National Finance Corporation. The value of these bonds was U.S.$424.9 million. They had 7-year and 11-year terms with semi-annual payments of principal and interest at LIBOR plus 180 days margin.
(4) Debt of the Government with the IESS and the Ecuadorian Development Bank.
(5) Calculated under the New Methodology and includes, in addition to the debt of the Government with the IESS and the Ecuadorian Development Bank, outstanding obligations of the Government (accrued but unpaid) to the public and private sectors that were already recorded in the closed budgets of the General State Budget for previous years and debt instruments entered into by entities of the non-financial public sector with the Ecuadorian Development Bank.
(6) Total public sector internal debt under the aggregation methodology.

As of November 30, 2019, Ecuador has not issued any short-term debt (*i.e.,* with a maturity equal to or less than one year). Ecuador's medium-term and short-term obligations have generally been issued to finance development projects and to restructure or provide for revenue shortfalls in the Government's budget for a given year. Notes issued for development projects are generally privately held by entities contracted to undertake these development projects. Notes issued for budget restructuring, which generally have a maturity greater than one year, are placed on the Ecuadorian Stock Exchanges, and are currently held by both public and private holders.

Methodology for Calculating the Public Debt to GDP Ratio

On October 25, 2016, pursuant to Article 147, Clause 13 of the 2008 Constitution, former President Correa exercised his presidential authority to issue implementing regulations and signed Decree 1218, which modified Article 135 of the Rules to the Public Planning and Finance Code. Decree 1218 changed the methodology that the Ministry of Economy and Finance used to calculate the total public debt to GDP ratio for the purpose of establishing whether the total public debt ceiling of 40% established in Article 124 of the Public Planning and Finance Code had been exceeded. Under Decree 1218, the Ministry of Economy and Finance used the total consolidated public debt methodology set out in the Manual of Public Finance Statistics of the IMF. The IMF GFS, which was published in 2001, provides that the presentation of government financial statistics, including total public debt, should be calculated on a consolidated basis rather than on an aggregate basis. According to the IMF GFS, the consolidation methodology presents statistics for a group of units as if accounting for a single unit. In the context of total public debt, this means that debt that flows between governmental units or entities or between the central government and these governmental units or entities ("intra-governmental debt") is not included in the calculation of total public debt. Decree 1218 did not affect external debt as external debt is owed to entities outside of the Ecuadorian government and is, therefore, not affected by the exclusion of intra-governmental debt. This principle is reaffirmed in the preamble of the Organic Law for Productive Development, approved by the National Assembly on June 21, 2018.

In contrast, the aggregation methodology, which the Ministry of Economy and Finance used prior to Decree 1218, does include intra-governmental debt in the calculation of total public debt. By changing the method of calculating total public debt from an aggregation methodology to a consolidation methodology, Decree 1218 effectively eliminated certain types of debt from the calculation and, by extension, reduced the amount of public debt taken into account for purposes of the 40% public debt to GDP ceiling. Following the enactment of Decree 1218, the Ministry of Economy and Finance has been in communication with the IMF with respect to methodologies used for measuring public debt. Since the Office of the Comptroller General issued its CGR Audit Report and prior to the publication of the April 2019 Debt Bulletin, the Ministry of Economy and Finance had only been releasing public debt to GDP ratio information applying the aggregation methodology.

On June 21, 2018, the National Assembly approved the Organic Law for Productive Development (submitted by President Moreno), which became effective on August 21, 2018, which provides certainty as to the nature of certain activities as contingent liabilities for purposes of the calculation of the debt to GDP ratio, and provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply. The law also provides for the implementation of a fiscal stability plan by the Ministry of Economy and Finance for the period from 2018 to 2021. The law sets forth that in each subsequent fiscal year after 2021, the General State Budget must be presented with a fiscal program aimed at reducing over time the amount of total public debt relative to GDP, until it reaches a level below the 40% debt to GDP ratio. The new law also mandated that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, to be in accordance with article 123 of the Public Planning and Finance Code (as amended), internationally accepted standards and best practices for the registration and disclosure of public debt.

On November 19, 2018, the Ministry of Economy and Finance issued the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the New Methodology. The New Methodology provides that the calculation of the public debt to GDP ratio is to be based on total public debt as published in the official aggregate financial statements and the latest nominal GDP as published by the Central Bank. The New Methodology defines total public debt as the sum of the public debt incurred by the entities comprising the public sector and adds certain debt instruments to the calculation of public debt that were not previously included, including oil presales. In contrast with the prior methodology for calculating the public debt to GDP ratio, under the New Methodology, (i) the calculation of public external debt also includes oil presales, the Central Bank's special drawing rights with the IMF, and liabilities under intangible contractual rights; and (ii) the calculation of public internal debt also includes outstanding obligations of the Government (accrued but unpaid) to the public and private sectors that were already recorded in the closed budgets of the General State Budget for previous years and debt instruments entered into by entities of the non-financial public sector with the Ecuadorian Development Bank. The April 2019 Debt Bulletin was the first report on public debt issued that followed the New Methodology. The Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology provides that by November 14, 2019, the Ministry of Economy and Finance was required to publish public debt figures calculated using the New Methodology going back to October 2010. Such deadline has not been met due to unexpected delays in gathering and consolidating the data, with the release of these updated public debt figures expected within the weeks following this Offering Circular. Once these past public debt figures are published using the New Methodology, those numbers may vary from the public debt figures presented in this Offering Circular for the comparable period which were calculated based on the old methodology.

On October 15, 2018, President Moreno issued Decree 537 repealing Decree 1218 in its entirety. On October 30, 2018, Decree 537 was published and the repeal of Decree 1218 became effective. On December 20, 2018, the Regulation to the Organic Law for Productive Development became effective amending, among others, article 133 of the Rules to the Public Planning and Finance Code to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the central government in a period of no more than 60 days after the end of each month. These amendments also provide that in establishing the total amount of public debt, the Ministry of Economy and Finance will consider the aggregate public debt/GDP indicator of the entities constituting the public sector. This indicator will be calculated and projected based on the public debt aggregate statements, at least for the final balances, for the following four years. Among other provisions, the regulation provides guidance for

calculating the debt to GDP ratio for these purposes, as well as for reducing the balance of the public debt below 40% and for ensuring that the balance of the public debt does not exceed 40% of GDP after it has been reduced, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability.*"

Following a transition period set forth in the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology, which ended on May 31, 2019, the Ministry of Economy and Finance published its April 2019 Debt Bulletin following the New Methodology. Under the New Methodology, the aggregate public debt to GDP ratio as of November 30, 2019 was 52.0%, which is 7.3% higher than 44.7% aggregate public debt to GDP ratio as of November 30, 2018 under the prior methodology. In the November 2019 Debt Bulletin, the Ministry of Economy and Finance disclosed public aggregate and consolidated debt figures as of November 30, 2019. In the same bulletin, the Ministry of Economy and Finance also disclosed public aggregate and consolidated debt figures under the New Methodology for the ten months prior to November 2019. Under the New Methodology, the aggregate public debt to GDP ratio as of January 31, 2019, February 28, 2019, March 31, 2019, April 30, 2019, May 31, 2019, June 30, 2019, July 31, 2019, August 31, 2019, September 30, 2019, and October 31, 2019, was, respectively, 51.14%, 50.72%, 51.34%, 51.13%, 51.05%, 51.23%, 51.14%, 51.04%, 52.14% and 52.13%. The respective difference between the aggregate public debt to GDP ratio under the new methodology and the prior methodology for these periods are 4.61%, 4.28%, 4.41%, 4.35%, 4.08%, 4.08%, 3.97%, 3.83%, 3.36% and 3.39%.

Certain of the total public debt and public debt to GDP ratio information set forth in this Offering Circular is based on the aggregation methodology and certain of the total public debt and public debt to GDP ratio information is based on the consolidation methodology. The table below sets forth the total aggregate public debt and total aggregate public debt as a percentage of GDP.

Debt to GDP Ratio
(in millions of U.S.$, other than percentages)

	As of December 31,					As of November 30,	
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019[1]**
Aggregate Total Debt.....	30,140	32,771	38,137	46,536	49,463	48,954	56,781
Aggregate Debt to GDP Ratio.....	29.6	33.0	38.2	44.6	45.2	44.7	52.0 [1]

Source: For figures as of November 30, 2019, from the Ministry of Economy and Finance November 2019 Bulletin. For figures as of November 30, 2018, from the Ministry of Economy and Finance November 2018 Bulletin. For figures as of December 31, from the Ministry of Economy and Finance March 2019 Bulletin.

(1) Under the New Methodology.

(2) Based on the Central Bank's estimate of projected GDP.

Total aggregate public sector internal debt of Ecuador as of November 30, 2019, was U.S.$15,992 million, compared to U.S.$13,905 million as of November 30, 2018. This increase was primarily due to outstanding obligations of the Government (accrued but unpaid) to the public and private sectors that were already recorded in the closed budgets of the General State Budget for previous years and debt instruments entered into by entities of the non-financial public sector with the Ecuadorian Development Bank.

The U.S.$16,090.5 million under the aggregation methodology figure for October 31, 2019, that is excluded from the equivalent consolidation methodology figure corresponds to intra-governmental obligations, mainly between the BIESS, IESS, state-owned banks and the Central Bank. Because only obligations owed to private, non-governmental entities are counted toward the total internal debt of Ecuador under the consolidation methodology, the total consolidated internal debt figure is lower than the total aggregate internal debt figure.

Review and Audit by the Office of the Comptroller General

Under the General Comptroller Law, the Office of the Comptroller General has the authority to examine the use of public resources by both public and private institutions. Following the amendment to the 2008 Constitution on December 21, 2015, the Office of the Comptroller General does not have the authority to audit the management of public resources under principles of effectiveness, efficiency and economy (*auditoria de gestión*), but it may still conduct a legality, financial and/or administrative audit. More specifically, according to Article 19 of

the General Comptroller Law, the Office of the Comptroller General has the authority to carry out special audits to verify limited aspects of governmental activities under these parameters.

In July 2017, the Office of the Comptroller General headed by Dr. Pablo Celi announced pursuant to *Acuerdo* 024-CG-2017 its intention to conduct a special audit on the legality, sources and uses of all the internal and external debt of the Republic incurred between January 2012 and May 2017, as authorized by Ecuadorian law to examine acts of public entities. The Office of the Comptroller General previously, in 2015 and 2017, audited all of the Republic's internal and external debt borrowed or issued through 2015 and found no illegalities in the process of borrowing or issuing debt. The review included, among others, the Ministry of Economy and Finance, the Central Bank and SENPLADES. The Special Audit was carried out by the Production, Environment and Finance Audit Department of the Office of the Comptroller General, and was led by a Supervisory Auditor. *Acuerdo* 024-CG-2017 also provided that the Office of the Comptroller General could obtain specialized technical advice, in accordance with Article 89 of the General Comptroller Law, and provided for the establishment by invitation of a citizen oversight commission composed of nationally recognized professionals to participate in different stages of the special audit, a possibility not expressly regulated by law.

On January 8, 2018, the Comptroller General announced the creation of the Citizen Oversight Commission composed of Ecuadorian professionals, including former high level public officials such as a former vice president of the Republic, two former Comptrollers General, and a former Minister of Economy and Finance, to observe the procedures and methodology relating to the Republic's incurrence of debt from January 2012 through to May 2017. The Comptroller General indicated that, "the observers will be able to look into the findings, conclusions and recommendations" and "contribute with their technical criteria, specialized opinions, analytical perspective and even with complementary information." The Office of the Comptroller General also declared that the Citizen Oversight Commission does not replace the Comptroller General in its functions and powers, and that its findings will not be binding; rather it is intended that the participation of the Citizen Oversight Commission will promote transparency.

In relation to the Special Audit and the creation of the Citizen Oversight Commission, the Office of the Presidency issued a press release, on January 10, 2018, indicating that the Government "ratifies its respect for the independence and autonomy of the different entities and of control bodies of the State" and that the decision to set up an ad-hoc oversight organization to participate in the Special Audit being conducted by the Office of the Comptroller General on the Special Audit will be conducted "within the constitutional, legal and current regulations to guarantee its legality and objectivity." Also, the Office of the Presidency reiterated that the Republic has "the political will and the financial capacity to guarantee the strict compliance with all its international financial commitments under the terms and conditions on which they were contracted."

The Special Audit concluded on April 6, 2018, when the Office of the Comptroller General issued its CGR Audit Report including: (i) conclusions of the Special Audit conducted; and (ii) recommendations regarding actions related to specific contracts or methodologies (according to the law, these recommendations are mandatory for public entities and cannot be challenged). The Special Audit did not result in the annulment of previous acts, or the invalidation of existing contracts, which may only occur with judicial intervention in a proceeding initiated before Ecuadorian courts.

The CGR Audit Report concluded that certain rules that defined the methodology to calculate public debt were replaced with laws and regulations that allowed for discretion in the application and use of certain concepts related to public debt and, specifically, that the amounts of advance payments pursuant to certain commercial agreements providing for the advance payment of a portion of the purchase price of future oil deliveries should have been categorized as public debt and included in the calculation of the public debt to GDP ratio. The CGR Audit Report also concluded that Decree 1218 of 2016 established a methodology for the calculation of public debt in relation to GDP (based on the total consolidated public debt methodology set out in the Manual of Public Finance Statistics of the IMF) which was not consistent with Article 123 of the Public Planning and Finance Code and deviated from the practice of using the aggregation of public debt methodology for the purpose of establishing whether the public debt to GDP ceiling of 40% had been exceeded. Consequently, Decree 1218 allowed the Government to enter into certain debt transactions without obtaining the prior approval of the National Assembly despite the fact that, according to the Office of the Comptroller General, the total public debt to GDP ratio would have exceeded the 40% limit established in Article 124 of the Public Planning and Finance Code had Decree 1218 not been in place.

The CGR Audit Report also set forth some conclusions and recommendations regarding certain interinstitutional agreements between the Ministry of Economy and Finance and Petroecuador, and found deficiencies in the filing of debt documentation; the implementation of the agreed joint office for the management and monitoring of certain credit agreements between the Ministry of Economy and Finance and China Development Bank; and, the confidential nature of certain finance documents relating to public debt.

On April 9, 2018, during the presentation of the CGR Audit Report to the public, the Office of the Comptroller General announced that the Special Audit resulted in indications of: (i) administrative liability of certain public officials, which may lead to the dismissal of those officials; (ii) civil liability of certain current or former public officials, which may lead to fines if those officials acted in breach of their duties; and (iii) criminal liability of certain former or current public officials. Civil and administrative indications of liability are reviewed by the Office of the Comptroller General. If the Office of the Comptroller General finds that such former or current officials acted in breach of their duties, it will issue a resolution determining civil and/or administrative liability. A final resolution from the Office of the Comptroller General may be appealed to the district administrative courts.

In April 2018, the Office of the Comptroller General delivered to the Office of the Prosecutor General a report regarding the indications of criminal liability of certain former or current public officials. Based on that report, the Office of the Prosecutor General initiated a preliminary criminal investigation against former President Correa, three former Ministers of Finance and another seven former or current public officials of the Ministry of Economy and Finance. During the preliminary criminal investigation phase, which may last up to two years, the Office of the Prosecutor General will review evidence to determine if a crime has been committed. Once the preliminary investigation is completed, the Office of the Prosecutor General may request the competent judge to hold an indictment hearing with respect to any of the officials currently under investigation. If a judge determines that there are grounds for an indictment, a 90-day period will commence in which the Office of the Prosecutor General will conclude its investigation and issue a final report. The final report will be presented before the criminal court but the alleged offenders will not be found guilty unless, after trial, the offenders are found to be criminally liable.

The CGR Audit Report recommended that, in order to reconcile amounts comprising public debt, the Public Planning and Finance Code should be amended and Decree 1218 should be repealed with respect to the calculation of the total public debt to GDP ratio to ascertain the actual value of total public debt and determine if that amount exceeded the 40% debt to GDP ratio set out in Article 124 of the Public Planning and Finance Code. Following these recommendations, on June 21, 2018, the National Assembly passed the Organic Law for Productive Development which became effective on August 21, 2018, which expressly confirms that certain activities and instruments are considered a contingent liability, and therefore are not included in the calculation of the total public debt to GDP ratio, and provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply. The law also provides for the implementation of a fiscal stability plan by the Ministry of Economy and Finance for the period from 2018 to 2021. The law sets forth that in each subsequent fiscal year after 2021, the General State Budget must be presented with a fiscal program aimed at reducing over time the amount of total public debt relative to GDP, until it reaches a level below the 40% debt to GDP ratio. The new law also mandated that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, to be in accordance with article 123 of the Public Planning and Finance Code (as amended), internationally accepted standards and best practices for the registration and disclosure of public debt, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability.*" On October 15, 2018, President Moreno issued Decree 537 repealing Decree 1218 in its entirety, which became effective on October 30, 2018, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*".

On November 19, 2018, the Ministry of Economy and Finance issued the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the New Methodology, which provides that the calculation of the public debt to GDP ratio is to be based on total public debt as published in the official aggregate financial statements and the latest nominal GDP as published by the Central Bank. The New Methodology defines total public debt as the sum of the public debt incurred by the entities comprising the public sector and adds certain debt instruments to the calculation of public debt that were not previously included, including oil presales, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*." The April 2019 Debt Bulletin was the first report on public debt issued that followed the New Methodology. The Regulation Implementing the Public Debt

to GDP Ratio Calculation Methodology provides that by November 14, 2019, the Ministry of Economy and Finance was required to publish public debt figures calculated using the New Methodology going back to October 2010. Such deadline has not been met due to unexpected delays in gathering and consolidating the data, with the release of these updated public debt figures expected within the weeks following this Offering Circular. Once these past public debt figures are published using the New Methodology, those numbers may vary from the public debt figures presented in this Offering Circular for the comparable period which were calculated based on the old methodology.

On December 20, 2018, the Regulation to the Organic Law for Productive Development became effective amending, among others, article 133 of the Rules to the Public Planning and Finance Code to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the central government in a period of no more than 60 days after the end of each month. These amendments also provide that in establishing the total amount of public debt, the Ministry of Economy and Finance will consider the aggregate public debt/GDP indicator of the entities constituting the public sector. This indicator will be calculated and projected based on the public debt aggregate statements, at least for the final balances, for the following four years. Among other provisions, the regulation provides guidance for calculating the debt to GDP ratio for these purposes, as well as for reducing the balance of the public debt below 40% and for ensuring that the balance of the public debt does not exceed 40% of GDP after it has been reduced, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability.*"

The Office of the Comptroller General had previously conducted audits, in 2015 and 2017, of all internal and external debt issued between 2009 and 2015 without finding any illegalities in the process of borrowing or issuing debt.

The Special Audit has resulted in additional audits, including: (i) an examination finalized in July 2018, regarding the issuance, placement and payment of short-term treasury notes with a term of up to 360 days (the "CETES") by the Republic; an examination finalized in April 2019, regarding the contracts with service providers (including lawyers, banks, financial agents and other firms) involved in public debt transactions, covering the period between January 1, 2012 and December 31, 2017; an examination finalized in April 2019, regarding the Republic's use of shares of public banks to pay the Central Bank of Ecuador, covering the period between January 1, 2016 and December 31, 2017; an examination finalized in May 2019, regarding the entry, registration and use of funds from oil presale contracts, covering the period between January 1, 2012 and December 31, 2017; and a follow-up examination finalized in May 2019, regarding the application of the recommendations under the CGR Audit Report, covering the period between April 6, 2018 and October 31, 2018; and (ii) an ongoing examination regarding the GSI Loan Facility, the Gold Derivative Transaction and the Bond Derivative Transaction, see "*Public Debt—GSI Loan Facility*".

The special examination of the process of issuance, placement and payment of CETES by the Republic between January 1, 2016 and December 31, 2017 concluded with the CGR CETES Report. The CGR CETES Report concluded that: (i) CETES were renewed and placed for periods longer than the 360-day period allowed by the Public Planning and Financing Code; (ii) CETES were delivered as payment instruments to pay debts, contrary to their purpose of being used to obtain resources to finance deficiencies in the fiscal accounts; and (iii) CETES were delivered to the Central Bank of Ecuador in exchange for other internal debt instruments already due, contrary to the nature of the CETES of being used to obtain resources to finance deficiencies in the fiscal accounts. In the CGR CETES Report, the Office of the Comptroller General recommended partially repealing Decree 1218 so that short-term securities with a term of "less than 360 days" are excluded from the calculation of total public debt, instead of short-term securities with a term of "up to 360 days" as it was set forth in Decree 1218. Decree 537 repealed Decree 1218 on October 30, 2018, see "*Public Debt— Methodology for Calculating the Public Debt to GDP Ratio.*" On July 4, 2018, the Office of the Comptroller General delivered to the Office of the Prosecutor General a report with findings of criminal liability in respect of former President Correa, former Ministers of Economy and Finance and former general managers of the Central Bank of Ecuador, among others. Once the Office of the Prosecutor General completes the preliminary criminal investigation, which may last up to two years, it may request an indictment hearing with respect to any of the officials currently under investigation. If a judge determines that there are grounds for an indictment, the Office of the Prosecutor General will conclude its investigation and

issue a final report within 90 days to the criminal court. Following an indictment, the court would hold a pre-trial hearing. The alleged offenders would not be considered criminally liable unless determined through a trial process.

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

Organic Law for Productive Development, Investment, Employment and Fiscal Stability

On June 21, 2018, the National Assembly passed the Organic Law for Productive Development which became effective on August 21, 2018. In addition to the reforms described under section "*The Ecuadorian Economy–Economic and Social Policies–Organic Law for Productive Development*," the Organic Law for Productive Development amends certain provisions of the Public Planning and Finance Code as recommended by the Office of the Comptroller General in its CGR Audit Report, in order to reconcile amounts comprising public debt in application of Article 123 of the Public Planning and Finance Code, for purposes of being able to ascertain the actual value of total public debt and determine if the latter has surpassed the legal limit of 40% debt to GDP set out in Article 124 of the Public Planning and Finance Code. In addition, the Organic Law for Productive Development added provisions that establish a temporary regime for public debt operations for purposes of reducing the debt to GDP ratio.

In particular, the Organic Law for Productive Development reforms Article 123 of the Public Planning and Finance Code by expressly confirming that a contingent liability may originate when:

- the Central Government issues sovereign guarantees for the benefit of public sector entities that enter into public debt, together with all provisions made for their payment;
- notes linked to duly documented payment obligations are issued;
- guarantee agreements to secure the proper use of non-reimbursable contributions received by any applicable entity are entered into; and
- the public sector incurs contingent liabilities in accordance with applicable law, or other liabilities are incurred within the context of agreements with international credit agencies.

The above provides legal certainty as to which transactions should not be included within the calculation of the debt to GDP ratio as, pursuant to Article 123 of the Public Planning and Finance Code, contingent liabilities should only be considered public debt, and included in the calculation of total public debt to GDP ratio, in such amount and to the extent the obligation is due and payable.

The Organic Law for Productive Development provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply. The law also provides for the implementation of a fiscal stability plan by the Ministry of Economy and Finance for the period from 2018 to 2021. The law sets forth that in each subsequent fiscal year after 2021, the General State Budget must be presented with a fiscal program aimed at reducing in the long term the amount of total public debt relative to GDP, until it reaches a level below the 40% debt to GDP ratio. The new law also mandated that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, to be in accordance with article 123 of the Public Planning and Finance Code (as amended), internationally accepted standards and best practices for the registration and disclosure of public debt. On October 15, 2018, President Moreno issued Decree 537 repealing Decree 1218 in its entirety, which became effective on October 30, 2018, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*."

On November 19, 2018, the Ministry of Economy and Finance issued the Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology setting out the New Methodology, which provides that the calculation of the public debt to GDP ratio is to be based on total public debt as published in the official aggregate

financial statements and the latest nominal GDP as published by the Central Bank. The New Methodology defines total public debt as the sum of the public debt incurred by the entities comprising the public sector and adds certain debt instruments to the calculation of public debt that were not previously included, including oil presales, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*." The April 2019 Debt Bulletin was the first report on public debt issued that followed the New Methodology. The Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology provides that by November 14, 2019, the Ministry of Economy and Finance was required to publish public debt figures calculated using the New Methodology going back to October 2010. Such deadline has not been met due to unexpected delays in gathering and consolidating the data, with the release of these updated public debt figures expected within the weeks following this Offering Circular. Once these past public debt figures are published using the New Methodology, those numbers may vary from the public debt figures presented in this Offering Circular for the comparable period which were calculated based on the old methodology.

On December 18, 2018, by executive decree No. 617, President Moreno issued the Regulation to the Organic Law for Productive Development supplementing the Organic Law for Productive Development, which became effective on December 20, 2018. The Regulation to the Organic Law for Productive Development, among others, creates the procedures to implement and simplify the tax benefits that the Organic Law for Productive Development created for new investments and entrepreneurship; clarifies different concepts used in the Organic Law for Productive Development such as the concept of 'new investment;' creates the framework under which the VAT and exit tax returns on exports and other tax incentives will be carried out; closes any loopholes on the elimination of the excise tax; and creates the procedures to oversee compliance with fiscal rules with the goal of achieving sustainability of public finances.

The Regulation to the Organic Law for Productive Development also amends the Rules to the Public Planning and Finance Code to include a new section on fiscal rules and to amend certain articles. Article 133 of the Rules to the Public Planning and Finance Code is amended to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the central government in a period of no more than 60 days after the end of each month. These amendments also provide that in establishing the total amount of public debt, the Ministry of Economy and Finance will consider the aggregate public debt/GDP indicator of the entities constituting the public sector. This indicator will be calculated and projected based on the public debt aggregate statements, at least for the final balances, for the following four years. Among other provisions, the regulation provides guidance for calculating the debt to GDP ratio for these purposes, as well as for reducing the balance of the public debt below 40% and for ensuring that the balance of the public debt does not exceed 40% of GDP after it has been reduced.

The Office of the Comptroller General had previously conducted audits, in 2015 and 2017, of all internal and external debt issued between 2009 and 2015 without finding any illegalities in the process of borrowing or issuing debt. For a description of the risks of any action by the Government in relation to the 40% public debt to GDP ceiling and related accounting methodologies, see "*Risk Factors—Risk Factors relating to Ecuador—The Republic may incur additional debt beyond what investors may have anticipated as a result of a change in methodology in calculating the public debt to GDP ratio for the purpose of complying with a 40% limit under Ecuadorian law, which could materially adversely affect the interests of holders of the Notes*" and "*Risk Factors—— The Office of the Comptroller General has issued a report with conclusions from its audit to the Republic's internal and external debt"* in this Offering Circular.

IMF's Extended Fund Facility

On July 8, 2016, the Executive Board of the IMF concluded its annual Article IV consultation with Ecuador. On September 2016, the IMF published a staff report completed on July 1, 2016, following discussions with Government officials on economic developments and policies underpinning the IMF arrangement under the IMF Rapid Financing Instrument. On November 2017, an IMF delegation comprised of the IMF's Director of the Western Hemisphere Department and the Mission Chief for Ecuador visited Quito to meet and discuss with Government officials economic policies and priorities for the country. The Minister of Economy and Finance stated that the meeting was not held to seek emergency funding from the IMF. From June 20 to July 4, 2018, an IMF

delegation under the leadership of Anna Ivanova had meetings to discuss economic developments with Government officials as part of the annual Article IV consultation with Ecuador. The discussions concluded on July 4, 2018; topics included technical support to authorities on the statistical presentation of debt, which is currently under review after the CGR Audit Report recommended the repeal of Decree 1218 with respect to the calculation of the total public debt to GDP ratio for purposes of being able to ascertain the actual value of total public debt and determine if the latter has surpassed the legal limit of 40% debt to GDP set out in Article 124 of the Public Planning and Finance Code. Based on the economic and financial information collected by the IMF mission and on the discussions with Ecuadorian officials on the country's economic developments and policies, the IMF staff prepared an Article IV report which was presented for the IMF executive board's consideration on March 11, 2019.

In a press release issued on July 5, 2018, the IMF mission team stated: "the Ecuadorian authorities have been taking important steps recently to strengthen fiscal institutions and re-establish a competitive private-sector driven economy. The Organic Law for Productive Development approved by the National Assembly in June, contains marked improvements in the fiscal policy framework that go in the right direction though further refinements are possible. Efforts are also underway to increase fiscal transparency and adhere to international accounting standards. On the competitiveness front, we are encouraged by the recently adopted measures aimed at softening the rigidity of the labor market in some sectors, improving the legal framework for investors and facilitating trade"; and "the financial system appears sound; it is well-capitalized, with solid credit quality, and high levels of liquidity. Private credit is still growing robustly albeit at a slower pace. The supervision of the cooperatives should be strengthened though the sector doesn't appear to represent systemic risks. Removing barriers to effective financial intermediation, enhancing banks' risk management, and improving oversight and contingency planning could help fortify the system."

On January 23, 2019, President Moreno and Christine Lagarde, the then Managing Director of the IMF, met at the World Economic Forum in Davos, paving the way for potential IMF financing to help balance Ecuador's budget and reduce its fiscal deficit, with a view to reducing the country's international debt over time. Ecuador emphasized that any agreement would be compatible with the Government's current economic agenda under the Plan of Prosperity. The IMF praised Ecuador's recent achievements in reducing its fiscal deficit.

On February 21, 2019, Ecuador and the IMF staff announced an agreement on a set of policies to underpin a U.S.$4,200 million arrangement under the IMF's Extended Fund Facility, subject to IMF Executive Board approval. This arrangement is part of a broader effort of the international community that includes financial support of approximately U.S.$6,000 million over the subsequent three years from six other multilateral agencies and development banks. As noted in the IMF's press release dated February 21, 2019, "the government's plan is aimed at creating a more dynamic, sustainable, and inclusive economy and is based on four key tenets; to boost competitiveness and job creation; to protect the poor and most vulnerable; to strengthen fiscal sustainability and the institutional foundations of Ecuador's dollarization; and to improve transparency and strengthen the fight against corruption."

The Ministry of Economy and Finance announced on February 21, 2019 that the staff-level agreements reached with the IMF and other multilateral agencies and development banks project availability of up to U.S.$10,279 million in financing over the subsequent three years, with approximate amounts distributed as follows: U.S.$4,200 million from the IMF; U.S.$1,800 million from the Development Bank of Latin America; U.S.$1,744 million from the World Bank; U.S.$1,717 million from the IDB; U.S.$380 million from the European Investment Bank; U.S.$280 million from the Latin American Reserve Fund; and, U.S.$150 million from the AFD. The Ministry of Economy and Finance also announced that it is expected that, of the entire amount, U.S.$4,600 million will be disbursed in 2019, U.S.$3,100 million in 2020, and U.S.$2,500 million in 2021; and that disbursements of about U.S.$3,500 will be tied to specific projects.

On March 1, 2019, Ecuador's Minister of Economy and Finance and the General Manager of the Central Bank of Ecuador presented the IMF with the Letter of Intent, including a Memorandum of Economic and Financial Policies and a Technical Memorandum of Understanding, outlining Ecuador's economic outlook and economic goals in connection with the request for a three-year extended arrangement under the IMF's Extended Fund Facility to support the Plan of Prosperity. In the Letter of Intent, the Minister and the General Manager highlighted the four pillars of the country's current social and macroeconomic plan: (1) reconstruction and strengthening of the institutional foundations of dollarization, (2) employment and growth generation through increased competitiveness,

(3) increasing equality of opportunities and protection of the poor and most vulnerable segments of the population, and (4) guaranteeing a climate of transparency and good governance.

The Memorandum of Economic and Financial Policies attached to the Letter of Intent outlines the Government's policy plans for the coming three years. Among other measures, the Government intends to:

- continue reducing the public debt to GDP ratio to, over time, bring it below 40%, with a fiscal plan designed to minimize the impact on the real economy and the quality of life of the population;

- continue reducing the non-petroleum deficit for the public non-financial sector including fuel subsidies by 5% of GDP for the next three years;

- strengthen the conduct of the fiscal policies framework by, among others, complementing the expenditure growth rule with binding annual targets for the non-oil primary balance, and reviewing the applicable laws and corresponding regulations to ensure that public debt is comprehensively defined and, for statistical purposes, is measured on a consolidated basis in line with international standards;

- strengthen the Ecuadorian system of data disclosure by the provision and monitoring at all stages of the budget cycle as well as instituting clear and automatic enforcement mechanisms and effective sanctions for non-adherence to the law;

- reform the Public Planning and Finance Code in order to strengthen the role of the Ministry of Economy and Finance as the authority charged with fiscal supervision, ensure that annual budgets follow international best practice standards in their preparation and include binding limitations on spending;

- not enter into new government international borrowing arrangements that are based on repurchase agreements or the pledging of Central Bank assets;

- perform a full review of the Central Bank's legal framework to ensure more operational autonomy for the Central Bank, to implement the changes recently introduced by the regulation of the Monetary Board of the Central Bank that forbid all quasi-fiscal activities by the Central Bank as well as direct or indirect lending by the Central Bank to the Government or the public sector;

- gradually increase the country's international reserves to back all private and public financial institutions kept in the Central Bank and all notes and coins in circulation;

- foster the international competitiveness of the economy by (i) implementing a reform of the current tax system to simplify it, increase its tax base, eliminate unjustified tax exemptions and special tax regimes, refocus it towards more indirect taxes over direct ones, and gradually eliminate taxes based on business volumes and capital outflows, (ii) submitting to the National Assembly an Entrepreneurial Bill eliminating obstacles to business formation and operation and providing a strong legal framework for new businesses, (iii) submitting a labor reform to the National Assembly creating the institutional framework to promote public-private partnerships, (iv) reviewing the legal framework of the country's capital markets, and (v) expanding Ecuador's efforts to enter into trade agreements with new regional and non-regional key players;

- significantly increase social expenditure by expanding coverage and benefits provided by the Human Development Bond through new international partnerships; increasing expenditure for people with disabilities; increasing coverage of the country's pension plans; and updating and improving the social registry system;

- take other measures that will help improve the business climate, lower the cost of public financing, and support private investment and job creation including, among others, the submission to the National Assembly of an anti-corruption law that will enhance the independence and power of law enforcement

agencies and the judiciary and strengthen national and international coordination to fight corruption; and

- present the Central Bank's financial statements for 2019 by following IFRS and commit to making this the standard starting in 2021.

On March 11, 2019, the executive board of the IMF approved the U.S.$4,200 million arrangement under the IMF's Extended Fund Facility for Ecuador, enabling the disbursement of U.S.$652 million. The arrangement provides for an approximate 3% interest rate and a ten-year repayment plan (with a four-year grace period). According to the IMF's press release of March 11, 2019, "the Ecuadorian authorities are implementing a comprehensive reform program aimed at modernizing the economy and paving the way for strong, sustained, and equitable growth. The authorities' measures are geared towards strengthening the fiscal position and improving competitiveness and by so doing help lessen vulnerabilities, put dollarization on a stronger footing, and, over time, encourage growth and job creation."

On March 11, 2019, the executive board of the IMF also concluded its Article IV consultation with Ecuador, and the IMF published its Article IV staff report.

On April 30, 2019, in line with the Letter of Intent, the Ministry of Economy and Finance published the Action Plan for the Strengthening of Public Finances with 17 proposals aimed at strengthening fiscal and budgetary rules and planning, and improving sustainability in the operations of the National Treasury. Among the proposals, the Ministry of Economy and Finance will send the President a draft bill modifying certain provisions of the Public Planning and Finance Code to further limit the Executive's discretion to outspend the national budget from 15% to 5% in order to increase credibility over each year's set fiscal goals; to substitute the CETES with a new short-term instrument that guarantees its use within the budgetary year of issuance and placement; and to include a chapter in the Public Planning and Finance Code with a functional outline of the fiscal rules to increase transparency.

The initial disbursement of U.S.$652 million under the IMF's arrangement was made on March 13, 2019. Under the terms of the IMF's Extended Fund Facility program, further disbursements to the Republic are conditioned on the Government's implementation of its policy plans as outlined in the Letter of Intent, the implementation of which the IMF will monitor and review every three months on the basis of certain performance criteria, targets and benchmarks, including fiscal and monetary targets.

On May 30, 2019, the IMF announced it had reached a staff-level agreement with the Republic on the completion of the first review under the Extended Fund Facility arrangement. In their announcement, the IMF mission concluded that "Ecuador has made considerable progress in implementing its program aligned with the Prosperity Plan." Based on their preliminary findings, the IMF mission prepared and presented a report to the IMF's Executive Board. On June 28, 2019, the IMF's Executive Board completed their first review of Ecuador's economic performance under Ecuador's arrangement with the IMF under the Extended Fund Facility, which allowed Ecuador to draw U.S.$251 million from the facility on July 2, 2019.

On October 1, 2019, President Moreno issued Decree 883 expanding the scope of the liberalization of prices for hydrocarbons by eliminating the subsidy on certain types of gasoline and diesel and thereby increasing the prices for these fuels. Following the elimination of the subsidies, prices for gasoline type "extra" and diesel for the automotive sector began to be set on a monthly basis by Petroecuador based on average prices and costs. On October 3, 2019, various groups organized protests relating to the elimination of the subsidies and increase in prices. The protests lasted for almost two weeks and President Moreno relocated the government to Guayaquil on a temporary basis. The Government reached an agreement with protest leaders and on October 14, 2019, President Moreno issued Decree 894 terminating Decree 883, reversing the elimination of the subsidies and ordering the creation of a new policy on subsidies for hydrocarbons.

On October 18, 2019, President Moreno presented before the National Assembly the draft Law on Economic Development, aimed at reforming several of the Republic’s tax and financial laws. On November 17, 2019, the National Assembly voted to reject the draft Law on Economic Development. In response, on November 21, 2019, President Moreno presented the draft Organic Law on Tax Simplification, replacing the draft Law on

Economic Development with respect to certain aspects of the intended tax reform. The Organic Law on Tax Simplification was first approved by the National Assembly on December 9, 2019, and after a Presidential partial veto, it was finally approved on December 30, 2019, and became effective on December 31, 2019 (for more information on the rejection of the draft Law on Economic Development and the subsequent approval of the Organic Law on Tax Simplification, see "*The Republic of Ecuador—Recent Measures by President Moreno*").

On December 11, 2019, Ecuador's Minister of Economy and Finance and the General Manager of the Central Bank of Ecuador presented the IMF with a letter of intent, including the Updated Memorandum of Economic and Financial Policies, requesting (i) completion of the second and third review of the arrangement under the IMF's Extended Fund Facility and the disbursement of the associated amount of about U.S.$498.0 million for budget support, and (ii) a waiver of nonobservance of the performance criteria on net international reserves given that the macroeconomic impact of the breach was minor, as well as certain modifications to program requirements reflected therein.

The Updated Memorandum of Economic and Financial Policies outlines the Government's policy plans for the coming two years. Failure to implement the economic and financial policies agreed with the IMF could delay or prevent future disbursements. The Updated Memorandum of Economic and Financial Policies is an updated version of the Memorandum attached to the Letter of Intent dated March 1, 2019, and outlines the same policy plans with certain updates. Among such updates, the Updated Memorandum of Economic and Financial Policies provides that:

- The Government commits to reducing the non-financial public sector non-oil primary deficit including fuel subsidies, by about 3.9% of GDP during 2019-2021.

- In light of the rejection of the draft Law on Economic Development, the Government intends to submit to the National Assembly by the end of February 2020, the revised amendments to the Public Planning and Finance Code. The amendments intend to ensure that the role of the Minister of Economy and Finance as the fiscal oversight authority is strengthened; that annual budgets are prepared in line with best international practices; that the fiscal rules framework is further strengthened, including escape clauses, automatic correction mechanisms, and in-year fiscal reporting; that government discretion to amend approved budgets is limited and a robust framework for contingency allocation is introduced; that budget execution is kept in check by comprehensive, timely, and proper government accounting and reporting, including a comprehensive definition of public debt, as well as the adoption of better cash management practices and commitment controls.

- In light of the rejection of the draft Law on Economic Development, the Government intends to resubmit to the National Assembly by April 2020 after consultation with various stakeholders and building consensus, a revised version of the amendments to the Organic Monetary and Financial Law that were incorporated as part of the draft Law on Economic Development and which aimed to ensure that the Central Bank had clear objectives and limited functions, designed to fully support the dollarization regime, and encompassed measures to strengthen the Central Bank's autonomy including in terms of its budget, improve the Central Bank's governance by establishing a board with fiduciary responsibilities to the Central Bank, and build a strong internal and external audit function; such amendments prohibited all direct and indirect lending by the Central Bank to the government or the public sector, while remaining able to provide temporary liquidity support to public banks, if needed for prudential purposes.

- The Government is preparing a new law for state-owned enterprises, which seeks to improve efficiency, increase transparency, and strengthen governance of the state-owned enterprises.

Resubmit to the National Assembly by April 2020 after consultation with various stakeholders and building consensus, a revised version of the amendments to the Organic Monetary and Financial Law that were incorporated as part of the draft Law on Economic Development and which aimed to ensure that the Central Bank had clear objectives and limited functions, designed to fully support the dollarization regime, and encompassed measures to strengthen the Central Bank's autonomy including in terms of its budget, improve the Central Bank's governance by establishing a board with fiduciary responsibilities to the Central Bank, and build a strong internal and external audit

function; such amendments prohibited all direct and indirect lending by the Central Bank to the government or the public sector, while remaining able to provide temporary liquidity support to public banks, if needed for prudential purposes.

On December 19, 2019, the IMF's Executive Board concluded its combined second and third reviews of the Government's economic program supported under the Extended Fund Facility. In these reviews, the IMF reported that the end-September benchmark under the arrangement with the IMF concerning the submission by the Republic of amendments to the Organic Monetary and Financial Law fell short of being fully implemented since the draft law submitted did not incorporate the double veto procedure for the appointment and dismissal of members of the Central Bank board, though it contained other important provisions that would strengthen the institutional foundations of the Central Bank. Other structural benchmarks for the second and third reviews were either met or implemented with a slight delay. Given the rejection of the draft Law on Economic Development, new program conditionalities were accepted by the IMF to allow the authorities more time to reach consensus and complete these structural reforms. In particular, the submission of certain amendments to the Public Planning and Finance Code consistent with program commitments were accepted as a structural benchmark for the fourth review and that of the revised Organic Monetary and Financial Law amendments as a structural benchmark for the fifth review. The IMF granted the Republic's request to modify the end-December 2019 targets on the non-oil primary balance including fuel subsidies to partially accommodate the shortfall due to the delay in asset monetization, on net international reserves due to a higher deficit and financing shortfalls, and on social assistance spending due to the postponement of one of the programs to 2020. After the IMF staff's recommendations to the IMF's Executive Board for completion of the second and third reviews, and support for the Republic's requests of waivers for nonobservance of certain targets, on December 19, 2019, the IMF's Executive Board approved the disbursement to the Republic of approximately U.S.$498 million.

Disbursements under the other staff-level agreements with multilateral agencies and development banks are also subject to the approval of each organization's executive board. Under these agreements, in May 2019, the Republic entered into two loans with the CAF for U.S.$300 million and U.S.$100 million, respectively; on May 24, 2019, July 3, 2019, July 12, 2019 and July 23, 2019, the Republic entered into four loans with the IDB for U.S.$500 million, U.S.$150 million, U.S.$93.9 million and U.S.$300 million, respectively; and on June 17, 2019 and July 22, 2019, the Republic entered into two loans with the IBRD for U.S.$500 million and U.S.$350 million, respectively. In the next few months, the Republic expects to enter into several loan agreements with private and bilateral lenders totaling approximately U.S.$270 million.

Debt Obligations

Brady Bonds and Eurobonds

In May 1994, the Government reached an agreement with its commercial bank creditors to restructure the Republic's medium-term and long-term commercial bank debt (the "Brady Plan"). The Brady Plan offered creditors the opportunity to exchange existing principal for either: (i) 30-year notes of the same face amount (the "Par Notes"), with interest initially fixed at 3% incrementally increased over the first ten years up to a rate of 5% or (ii) 30-year notes with a face amount equal to 55% of the face value of the debt exchanged (the "Discount Notes" together with the Par Notes, the "Brady Bonds") and bearing interest at the London Interbank Offered Rate ("LIBOR") plus 13-16%. The principal of Par Notes and Discount Notes was fully collateralized by 30-year U.S. Treasury notes and interest on those Notes was collateralized on a 12-month rolling basis. The Brady Plan also offered creditors the opportunity to exchange accrued and unpaid interest for two instruments: (i) 20-year notes bearing interest at LIBOR plus 13-16% (the "PDI Notes") and (ii) ten-year notes bearing-interest at LIBOR plus 13-16% and representing certain accrued and unpaid overdue interest under the Consolidation Agreement (the "IE Notes").

On December 21, 1994, the Republic issued U.S.$191.0 million of IE Notes. On February 28, 1995, the Republic issued U.S.$1.9 billion, U.S.$1.4 billion and U.S.$2.4 billion of Par Notes, Discount Notes and PDI Notes, respectively. The Republic also agreed to make certain additional cash payments in respect of overdue interest.

On April 25, 1997, the Republic issued U.S.$350 million of its 11.25% Fixed Rate Eurobonds due 2002 and U.S.$150 million of its Floating Rate Eurobonds due 2004 (together, the "Eurobonds"). In late 1999 and early 2000, the Republic defaulted on its Par Bonds, Discount Bonds, 11.25% Fixed Rate Eurobonds due 2002, Floating Rate Eurobonds due 2004, IE Notes and PDI Notes (together, the "Old Notes"). In June 2000, the Republic launched a global exchange offer whereby it offered U.S. dollar Denominated Global Notes due 2012 (the "2012 Notes") and U.S. dollar Denominated Step-Up Global Notes due 2030 (the "2030 Notes" together with the 2012 Notes, the "2012 and 2030 Notes") together with a cash payment for any and all of the Old Notes.

In December 2005, the Republic successfully launched an issuance of notes due 2015 (the "2015 Notes"). The use of the proceeds of the 2015 Notes was to buy back certain of the 2012 Notes in accordance with their terms. The Republic successfully repaid all principal and interest on the 2015 Notes on December 15, 2015.

2012 and 2030 Notes and tender offer

In 2008, Ecuador defaulted on its interest payments for the 2012 and 2030 Notes in the aggregate amount of approximately U.S.$157 million and principal payments of approximately U.S.$3,200 million. The 2012 and 2030 Notes were originally issued in exchange for prior debt offerings of the Republic in order to extend the maturity dates of those prior obligations. This default followed the publication of a report in 2008 by the CAIC, a committee composed of representatives from both the Ecuadorian government and private sector organizations and members of civil society. CAIC reviewed Ecuador's debt obligations from 1976 to 2006. This report made a number of findings regarding the legitimacy of Ecuador's debt obligations (including the 2012 and 2030 Notes), in particular relating to concerns involving the public assumption of private debt, appropriate authorizations, sovereign immunity, and the relevant economic terms of the debt obligations incurred. After the default, which occurred during the first term of former President Correa's administration, Ecuador offered to repurchase the 2012 and 2030 Notes. In April 2009 and November 2009, the Republic launched tender offers, in cash, to holders of the 2012 and 2030 Notes. Approximately 93.22% of the notes were tendered in the April 2009 and the November 2009 tender offers and were bought out at 35 cents on the dollar. Although some holders continue to hold the defaulted 2012 and 2030 Notes, Ecuador has since successfully repurchased additional 2012 and 2030 Notes from remaining holders. As of the date hereof, the total aggregate amount of outstanding principal on the 2012 and 2030 Notes is U.S.$52 million, which represents 1.6% of the original aggregate principal amount of the 2012 and 2030 Notes.

2024 Notes

On June 17, 2014, the Republic successfully issued U.S.$2,000 million of notes due June 2024, with a coupon of 7.95% at 100% of the purchase price (the "2024 Notes"). The Republic is current on its financial obligations under the 2024 Notes. The Republic used the proceeds of the 2024 Notes to finance its various hydroelectric projects and other infrastructure projects contemplated in the 2013-2017 National Development Plan.

2020 Notes

On March 24, 2015, the Republic successfully issued U.S.$750 million of notes due March 2020 with a coupon of 10.50% (the "Original 2020 Issuance"), at 100% of the purchase price (the "2020 Notes"). The Republic reopened the Original 2020 Issuance on May 19, 2015 and successfully issued an additional U.S.$750 million of notes at a price of 107.789%, also due 2020. The Republic also reopened the Original 2020 Issuance on August 31, 2018 and successfully issued an additional U.S.$701,616,000 of notes at a price of 103.509%, also due 2020, within the context of a repo transaction with GSI (see "*GSI Repo Transaction*" below). The Republic is current on its financial obligations under the 2020 Notes. The Republic used the proceeds of the 2020 Notes to finance the various hydroelectric projects and other infrastructure projects contemplated in the 2013-2017 National Development Plan. On May 29, 2019, the Republic canceled an amount of U.S.$701,616,000 2020 Notes that it received from GSI in the context of a substitution under the Amended August 2018 GSI-Ecuador Repurchase Agreement. See "*GSI Repo Transaction*" below. On June 18, 2019, the Republic repurchased an amount of U.S.$1,175,370,000 2020 Notes pursuant to a tender offer, which were subsequently canceled. Upon consummation of the tender offer, an aggregate amount of U.S.$324,630,000 remained outstanding.

2022 Notes

On July 28, 2016, the Republic successfully issued U.S.$1,000 million of notes due 2022 with a coupon of 10.75% (the "Original 2022 Issuance"), at 100% of the purchase price (the "2022 Notes"). The Republic reopened the Original 2022 Issuance on September 30, 2016 and successfully issued an additional U.S.$1,000 million of notes at a price of 100%, also due 2022. The Republic is current on its financial obligations under the 2022 Notes and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2022 Notes to finance its various hydroelectric projects and other infrastructure projects contemplated in the National Development Plan. The Republic reopened the Original 2022 Issuance on October 16, 2017, and successfully issued an additional U.S.$378 million of notes at a price of 112.878%, also due 2022, within the context of a loan with GSI. See "*GSI Loan Facility*" below. The Republic also reopened the Original 2022 Issuance on August 31, 2018, and successfully issued an additional U.S.$500 million of notes at a price of 104.753%, also due 2022, within the context of a repo transaction with GSI (see "*GSI Repo Transaction*" below). Additionally, the Republic reopened the Original 2022 Issuance on October 31, 2018, and issued an additional U.S.$1,187,028,000 of notes at a price of 105.305%, also due 2022 (the "Substituted October 2018 Additional Notes"), within the context of a repo transaction with CS, see "*CS Repo Transaction*" below. On August 6, 2019, the Republic cancelled the Substituted October 2018 Additional Notes pursuant to the terms of the 2022 Notes indenture, see "*CS Repo Transaction*" below.

2026 Notes

On December 13, 2016, the Republic successfully issued U.S.$750 million of notes due 2026 with a coupon of 9.650% (the "Original 2026 Issuance"), at 100% of the purchase price (the "2026 Notes"). The Republic reopened the Original 2026 Issuance on January 13, 2016 and successfully issued an additional U.S.$1,000 million of notes at a price of 103.364% also due 2026 and intends to make all payments as they become due and payable. The Republic is current on its financial obligations under the 2026 Notes. The Republic used the proceeds of the 2026 Notes to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance an existing external debt obligation on more favorable terms. The Republic reopened the Original 2026 Issuance on October 16, 2017, and successfully issued an additional U.S.$41 million of notes at a price of 106.664%, also due 2026, within the context of a loan with GSI. See "*GSI Loan Facility*" below. On August 6, 2019, the Republic reopened the Original 2026 Issuance, issuing an additional U.S.$611,870,000 of notes at a price of 107.026%, also due 2026, for the purpose of a substitution under the October 2018 CS-Ecuador Repurchase Agreement, see "*CS Repo Transaction*" below.

Petroamazonas notes

In February 2017, Petroamazonas issued two tranches of notes guaranteed by Ecuador. Under the first tranche, Petroamazonas issued U.S.$355,225,848.25 notes due 2019 with a coupon of 2.000% and not subject to a remarketing (the "PAM 2019 Notes") pursuant to an indenture entered into between Petroamazonas, Ecuador as guarantor and The Bank of New York Mellon as trustee. Under the second tranche, Petroamazonas issued U.S.$315,339,980.55 notes due 2020 with a coupon of 4.625% (the "PAM First Remarketing Notes") pursuant to an indenture entered into between Petroamazonas, Ecuador as guarantor, and The Bank of New York Mellon. In May 2017, the holders of the PAM First Remarketing Notes sold the PAM First Remarketing Notes to subsequent purchasers in the international capital markets.

On November 6, 2017, Petroamazonas issued U.S.$300,000,000 of its 4.625% notes due 2020, guaranteed by Ecuador, and later remarketed those notes on December 11, 2017 (the "PAM Second Remarketing Notes"). The PAM Second Remarketing Notes were issued pursuant to an indenture entered into between, among others, Petroamazonas, Ecuador as guarantor and The Bank of New York Mellon as trustee.

2023 Notes and 2027 Notes

On June 2, 2017, the Republic successfully issued two tranches of notes. Under the first tranche, the Republic issued U.S.$1,000 million of 2023 Notes with a coupon of 8.750% (the "Original 2023 Issuance"), at 100% of the purchase price (the "2023 Notes"). Under the second tranche, the Republic issued U.S.$1,000 million

of notes due 2027 with a coupon of 9.625% at 100% of the purchase price (the "2027 Notes"). The Republic is current on its financial obligations under the 2023 Notes and under the 2027 Notes. The Republic used the proceeds of the 2023 Notes and the 2027 Notes to (1) finance Government Programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance an existing external debt obligation on more favorable terms. The Republic reopened the Original 2023 Issuance on October 16, 2017, and successfully issued an additional U.S.$187 million of notes at a price of 104.412%, also due in 2023, within the context of a loan with GSI. See "*GSI Loan Facility*" below. On May 29, 2019, the Republic reopened the Original 2023 Issuance, issuing an additional U.S.$688,268,000 of notes at a price of 106.597%, also due 2023, (the "May 2019 Additional 2023 Notes"), for the purpose of a substitution under the Amended August 2018 GSI-Ecuador Repurchase Agreement. See "*GSI Repo Transaction*" below. On August 6, 2019, the Republic reopened the Original 2023 Issuance, issuing an additional U.S.$610,359,000 of notes at a price of 107.291%, also due 2023, for the purpose of a substitution under the October 2018 CS-Ecuador Repurchase Agreement, see "*CS Repo Transaction*" below.

Second 2027 Notes

On October 23, 2017, the Republic successfully issued U.S.$2,500 million of notes due 2027 with a coupon of 8.875% at 100% of the purchase price (the "Second 2027 Notes"). The Republic is current on its financial obligations under the Second 2027 Notes and intends to make all payments as they become due and payable. The Republic used the proceeds of the Second 2027 Notes in accordance with the limitations of the Public Planning and Finance Code which indicates that the Republic may only use the proceeds to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance an existing external debt obligation on more favorable terms.

2028 Notes

On January 23, 2018, the Republic successfully issued U.S.$3,000 million of notes due 2028 with a coupon of 7.875% at 100% of the purchase price (the "2028 Notes"). The Republic is current on its financial obligations under the 2028 Notes and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2028 Notes in accordance with the limitations of the Public Planning and Finance Code which indicates that the Republic may only use the proceeds to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance an existing external debt obligation on more favorable terms.

2029 Notes

On January 31, 2019, the Republic successfully issued the 2029 Notes. The Republic is current on its financial obligations under the 2029 Notes. The Republic used the proceeds of the 2029 Notes in accordance with the limitations of the Public Planning and Finance Code which indicates that the Republic may only use the proceeds to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance an existing external debt obligation on more favorable terms. The Republic reopened the 2029 Issuance on June 17, 2019 and successfully issued an additional U.S.$1,125,000,000 million of notes at a price of 110.746%, also due 2029. The Republic used the proceeds of the reopened 2029 Notes to repurchase U.S.$1,175,370,000 principal amount of its 2020 Notes by means of a tender offer that settled on June 18, 2019.

2025 Notes and 2030 Notes

On September 27, 2019, the Republic successfully issued the 2025 Notes and the 2030 Notes. The Republic used the proceeds of the 2025 Notes and the 2030 Notes in accordance with the limitations of the Public Planning and Finance Code which indicates that the Republic may only use the proceeds to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and (3) refinance an existing external debt obligation on more favorable terms.

GSI Loan Facility

On October 11, 2017 the Republic and GSI entered into a U.S.$500 million 35-month loan facility (the "GSI Loan Facility") governed by Ecuadorian law.

On October 11, 2017, the Central Bank and GSI entered into a three-year gold derivative transaction in which the Central Bank transferred to GSI an initial 300,000 ounces of gold (valued at the date of the transaction at approximately U.S.$387 million, "Gold") (the "Gold Derivative Transaction") and in return received a fixed rate from GSI on the value of the Gold transferred. The Gold Derivative Transaction is similar to the gold transaction that the Central Bank entered into with GSI on May 2014, which terminated at maturity in February 2017. In addition, on the same date as the Gold Derivative Transaction, the Central Bank entered into a three-year bond derivative transaction (the "Bond Derivative Transaction") in which the Central Bank transferred to GSI U.S.$606 million nominal amount of notes issued by the Republic (the "2017 Reopened Notes") (with a market value at the date of the transaction of U.S.$650 million) and in return received the interest amounts on the 2017 Reopened Notes (with any interest generated for any delays in such transfer from GSI to the Central Bank) in addition to a fixed rate on the value of the 2017 Reopened Notes transferred to GSI. The 2017 Reopened Notes constitute "Further Notes" (as defined in each of the respective indentures) of the following existing series of notes currently being traded in the international markets: (a) the 2022 Notes, (b) the 2023 Notes, and (c) the 2026 Notes. The issue of the 2017 Reopened Notes was authorized by the Republic's Debt and Finance Committee under *Acta Resolutiva* No. 014 dated October 10, 2017. The 2017 Reopened Notes were issued on October 16, 2017 and exchanged with the Central Bank for a scheduled term of 3 years pursuant to an *Acuerdo de Permuta* (the "Swap Agreement") between the Central Bank and the Ministry of Economy and Finance dated October 11, 2017 for U.S.$650 million of notes issued by the Republic in the domestic market ("Locally Issued Notes"), owned by the Central Bank at the date of the transaction. The 2017 Reopened Notes were issued on October 16, 2017 in consideration for the transfer to the Republic of the Locally Issued Notes subject to the terms of the Swap Agreement. The 2017 Reopened Notes are fully fungible with the 2022 Notes, the 2023 Notes and the 2026 Notes, respectively, and constitute general, direct, unsecured, unsubordinated and unconditional obligations of the Republic backed by the full faith and credit of the Republic and, based on an opinion of the Ministry of Economy and Finance of the Republic, have been legally and validly issued.

Under the terms of the Bond Derivative Transaction and the Gold Derivative Transaction, upon maturity, the Central Bank is entitled to receive the return of an equivalent amount of the Gold (under the Gold Derivative Transaction) and equivalent property to the 2017 Reopened Notes (under the Bond Derivative Transaction) (the "2017 Equivalent Property") from GSI, without payment by the Central Bank, *provided* that certain credit events relating to the Republic do not occur. GSI will post investment-grade securities to a custodial account at The Bank of New York Mellon as collateral for the Central Bank's exposure to GSI. Under the Bond Derivative Transaction, GSI can sell or otherwise transfer any interest in the 2017 Reopened Notes at any time to any third party, although it will retain economic exposure to the 2017 Equivalent Property for so long as GSI has a future obligation, whether or not contingent, to deliver the 2017 Equivalent Property. Upon the occurrence of a credit event, GSI will retain the Gold and the 2017 Equivalent Property, although the Central Bank may repurchase the Gold if it pays GSI its dollar value at that point in time at market price. In the event the combined value of Gold and 2017 Equivalent Property declines and is worth less than approximately U.S.$807 million, the Central Bank must deliver an additional amount of cash, gold or U.S. treasuries (the "Additional Assets") in order to make up the difference (with the amount of additional Gold capped at 100,000 additional ounces). Accordingly, the Republic's gold reserves, cash and investments in U.S. treasuries (if any) could decrease in the event that the combined value of the Gold, the 2017 Equivalent Property and the Additional Assets declines or if a credit event occurs. In addition, in certain limited circumstances the excess amount of the equivalent Additional Assets will be returned to the Central Bank if the combined value of the Gold, 2017 Equivalent Property and Additional Assets increases above a certain threshold.

Under the Swap Agreement, the Central Bank is required to transfer to the Ministry of Economy and Finance the full interest amounts (together with any interest generated for any delays in such transfer by GSI to the Central Bank) that it receives under the Bond Derivative Transaction (excluding the additional fixed rate the BCE receives from GSI on the value of the 2017 Reopened Notes transferred to GSI) and is required to transfer to the Ministry of Economy and Finance 2017 Equivalent Property upon the maturity of the Swap Agreement in exchange for the return of the Locally Issued Notes. If a credit event occurs under the Bond Derivative transaction, the rights of the Central Bank under the Bond Derivative Transaction, and of the Ministry of Economy and Finance under the Swap Agreement, to receive amounts paid under the 2017 Reopened Notes will terminate, but the Ministry of Economy and

Finance will continue to be required to make all payments of principal and interest in respect of the 2017 Reopened Notes to the applicable holders of the 2017 Reopened Notes, and will have certain remedies against the Central Bank.

Article 133 of the Rules to the Public Planning and Finance Code sets forth that it is incumbent on the Ministry of Economy and Finance to prepare the statements of public debt and to issue technical regulations to calculate the public debt to GDP ratio. On October 25, 2016, pursuant to Article 147, Clause 13 of the 2008 Constitution, the Government issued implementing regulations through the enactment of Decree 1218, which was in effect until October 30, 2018, when Decree 537 was published as further discussed under *Public Debt—Decree 1218*. Decree 1218 established that the Ministry of Economy and Finance would use the consolidation methodology set out in the IMF GFS for the preparation of statements of public debt in order to calculate the total public debt to GDP ratio, see "*Public Debt—Methodology for Calculating the Public Debt to GDP Ratio*." On August 31, 2017 the Legislative Assembly of Ecuador approved the 2017 Draft Budget prepared by the Ministry of Economy and Finance in which the consolidation methodology, mandated by Decree 1218, was used to calculate the total public debt to GDP ratio.

Accordingly, the Ministry of Economy and Finance did not consider the aggregate amount of the 2017 Reopened Notes in the calculation of total public debt to GDP ceiling as described above, and accounted them as a contingent liability as stated in the Public Planning and Finance Code. According to Section 3.95 of the IMF GFS, contingencies are "conditions or situations that may affect the financial performance or position of the general government sector depending on the occurrence or nonoccurrence of one or more future events" and under Section 3.96 of the IMF GFS, the IMF GFS does "not treat any contingencies as financial assets or liabilities because they are not unconditional claims or obligations." Under Section 7.142 of the IMF GFS, debt "consists of all liabilities that require payment or payments of interest and/or principal by the debtor to the creditor at a date or dates in the future." It is the view of both the Ministry of Economy and Finance and the Debt and Finance Committee of the Republic that, as of the time of issuance, the 2017 Reopened Notes were to be treated as contingencies under the IMF GFS and in the Public Planning and Finance Code because they formed part of a series of transactions which contemplated that any interest amounts on the 2017 Reopened Notes would be returned to the Central Bank as provided in the Bond Derivative Transaction and through the Swap Agreement to the Republic, GSI agreed to retain economic exposure to the 2017 Equivalent Property and, unless a credit event occurs, GSI is required to return 2017 Equivalent Property to the Central Bank upon maturity (and the Central Bank to the Ministry of Economy and Finance under the Swap Agreement). According to the Ministry of Economy and Finance, as of the time of issuance, the 2017 Reopened Notes (as part of the Bond Derivative Transaction) were contingencies and not "debt" to be accounted in the consolidated statement of public debt which would count towards the calculation of the total public debt to GDP ceiling. For similar reasons, the Ministry of Economy and Finance excluded the Reopened Notes from certain other unconsolidated measures which reflected the amount of its indebtedness owed to the Central Bank and other governmental agencies. These views were affirmed by the amendment to Article 123 of the Public Planning and Finance Code pursuant to the Organic Law for Productive Development, whereby the issuance of notes that are linked to duly documented payment obligations are expressly considered contingent liabilities and therefore not included in the calculation of total public debt to GDP ratio.

As of the date of the Bond Derivative transaction, there was no precedent in Ecuador for similar transactions being treated as a contingency, such as the 2017 Reopened Notes in the context of the Bond Derivative Transaction, as the IMF GFS guidelines had been recently implemented and adopted through Decree 1218. The treatment of the 2017 Reopened Notes as a contingency may be subject to a subsequent executive decree implementing other methodologies or different interpretation of the IMF GFS guidelines; however, the amendment to Article 123 of the Public Planning and Finance Code provides legal certainty to this position. If the 2017 Reopened Notes were not treated as contingencies but instead included in the calculation of the public debt to GDP ratio, as of the close of August 2017, the public debt to GDP ratio would have increased by approximately 0.6% to 30.4% following the consolidation methodology. The Organic Law for Productive Development, which became effective on August 21, 2018, provides that for the period from 2018 to 2021, unless the public debt reaches a level below the public debt ceiling of 40% of GDP, the public debt ceiling will not apply. According to the Ministry of Economy and Finance, as of the close of March 2019, it is estimated that the Republic's total public debt to GDP ratio under the aggregation methodology will be approximately 45.3%. For a description of the risks of any action by the Government in relation to the 40% public debt to GDP limit, see "*Risk Factors—Risk Factors relating to Ecuador—The Republic may incur*

additional debt beyond what investors may have anticipated as a result of a change in methodology in calculating the public debt to GDP ratio for the purpose of complying with a 40% limit under Ecuadorian law, which could materially adversely affect the interests of holders of the Notes" and "*Risk Factors— The Office of the Comptroller General has issued a report with conclusions from its audit to the Republic's internal and external debt"* in this Offering Circular.

Following the publication of the CGR Audit Report, the Office of the Comptroller General announced that other additional audits would be conducted. There is an ongoing examination of the GSI Loan Facility, the Gold Derivative Transaction and the Bond Derivative Transaction. As of the date of this Offering Circular, the Office of the Comptroller General has not published any audit report on the GSI Loan Facility, the Gold Derivative Transaction and the Bond Derivative Transaction.

GSI Repo Transaction

On August 28, 2018 the Republic and GSI entered into a master repurchase agreement governed by English law which is based upon the standard Global Master Repurchase Agreement ("GMRA") published by the International Securities Market Association and also includes a negotiated annex ("Annex") dated as of August 28, 2018 (the GMRA and Annex collectively, the "GSI-Ecuador GMRA").

Pursuant to a Confirmation dated as of August 28, 2018 (the "August 2018 Repo Confirmation", collectively with the GSI-Ecuador GMRA, the "August 2018 GSI-Ecuador Repurchase Agreement"), the Republic sold and transferred (such sale, transfer and repurchase pursuant to the terms of the August 2018 GSI-Ecuador Repurchase Agreement, the "August 2018 GSI-Ecuador Repurchase Transaction") to GSI U.S.$1,201,616,000 nominal amount of additional notes (the "August 2018 Additional Notes") (with a market value at the date of the transaction of U.S.$1,250,000,000) and in return received from GSI a purchase price of U.S.$500,000,000 (the "Purchase Price"), the value of the Republic's residual interest in the August 2018 GSI-Ecuador Repurchase Transaction and the interest amounts three business days prior to the date on which they are paid by the Republic on the August 2018 Additional Notes. The Republic is also required to pay to GSI, on a quarterly basis, a price differential on the purchase price based upon Libor plus a spread. Either GSI or the Republic may request that any of the August 2018 Additional Notes be substituted for other identified securities issued by the Republic (a "Repo Substitution"), subject to certain conditions (including the consent of both GSI and the Republic) as described in more detail below. The August 2018 Additional Notes constitute "Further Notes" (as defined in each of the respective Indentures) of the following existing series of notes currently being traded in the international markets: (a) the 2020 Notes; and (b) the 2022 Notes. The issue of the August 2018 Additional Notes and the execution of the 2018 GSI-Ecuador Repurchase Agreement were authorized by the Republic's Debt and Finance Committee under *Acta Resolutiva* No. 003 dated August 25, 2018. The August 2018 Additional Notes were issued on August 31, 2018 in consideration for the transfer to the Republic of the Purchase Price, the ongoing payment to the Republic of the interest amounts on the August 2018 Additional Notes and the value of the Republic's residual interest in the August 2018 GSI-Ecuador Repurchase Transaction, subject to the terms of the August 2018 GSI-Ecuador Repurchase Agreement. The two series of August 2018 Additional Notes are fully fungible with the 2020 Notes and the 2022 Notes, respectively, and constitute general, direct, unsecured, unsubordinated and unconditional obligations of the Republic backed by the full faith and credit of the Republic and, based on an opinion of the Ministry of Economy and Finance of the Republic, have been legally and validly issued.

On October 10, 2018, the August 2018 GSI-Ecuador Repurchase Transaction was amended and restated (the "October 2018 Amendment", and such transaction as amended and restated, the "Amended August 2018 GSI-Ecuador Repurchase Transaction"). The October 2018 Amendment effected a decrease by 135bps of the price differential spread payable by the Republic under the Amended August 2018 GSI-Ecuador Repurchase Transaction (as compared to the price differential spread payable by the Republic under the August 2018 GSI-Ecuador Repurchase Transaction). In exchange for such decrease in the spread, Ecuador has agreed to repay the Purchase Price in EUR based upon the EUR/USD exchange rate as of the date of the October 2018 Amendment, although the Purchase Price was disbursed in USD. Although the Purchase Price is to be repaid in EUR post amendment, the price differential is to continue to be paid in USD and the price differential spread is not necessarily the same had the Purchase Price been initially disbursed in EUR. The all-in cost in USD terms to the Republic of the Amended

August 2018 GSI-Ecuador Repurchase Transaction is comprised of the price differential payments thereunder and the realized forward price of the EUR/USD exchange rate at the amortization dates, which may cause the all-in cost in USD terms to the Republic to be materially higher or lower than the cost of the August 2018 GSI-Ecuador Repurchase Transaction prior to it being amended. Accordingly, if the EUR has appreciated to the USD at the amortization dates when compared to the date that the August 2018 GSI-Ecuador Repurchase Transaction was amended, the USD all-in cost to the Republic of the Amended August 2018 GSI-Ecuador Repurchase Transaction may be higher than the USD all-in cost prior to it being amended.

Under the terms of the Amended August 2018 GSI-Ecuador Repurchase Agreement, upon certain scheduled amortization dates, the Republic is required to pay amounts in installments in EUR to GSI which in aggregate equal the EUR equivalent of the amount originally paid as the Purchase Price. For these purposes, the EUR/USD exchange rate used is the exchange rate as of the date of the October 2018 Amendment. The Republic is also required to pay to GSI, on a quarterly basis, a price differential on the Purchase Price based upon Libor plus a spread (such amount being payable in USD and, together with the aforementioned installment amounts, being the "Repurchase Price"). Upon the scheduled repurchase date, being 48 months from the commencement of the August 2018 GSI-Ecuador Repurchase Transaction, GSI is required to sell and transfer to the Republic equivalent property to both (a) the May 2019 Additional 2023 Notes and (b) the remaining August 2018 Additional Notes (the "Remaining August 2018 Additional Notes") that were not substituted out in accordance with the October 2018 Amendment (together, the "2018 Equivalent Property") against payment by the Republic of the final installment of the Repurchase Price, *provided* that certain events of default relating to the Republic have not occurred. In addition, the Republic may be required to repurchase 2018 Equivalent Property and pay the remaining Repurchase Price (to the extent not already paid) to GSI prior to the scheduled repurchase date if certain termination events occur. Under the Amended August 2018 GSI-Ecuador Repurchase Transaction, GSI can sell or otherwise transfer any interest in the 2018 Equivalent Property at any time to any third party, although GSI is required to retain economic exposure to the 2018 Equivalent Property for so long as GSI has a future obligation, whether or not contingent, to deliver the 2018 Equivalent Property. Upon the occurrence of an event of default, if GSI elects to sell 2018 Equivalent Property to a third party in order to determine the amounts due between the parties under the Amended August 2018 GSI-Ecuador Repurchase Transaction, the Republic will have the right to submit a bid to purchase such 2018 Equivalent Property and GSI will be obliged to accept such bid if such bid is the highest bid received, subject to the terms of the Amended August 2018 GSI-Ecuador Repurchase Agreement.

In the event that the value of the May 2019 Additional 2023 Notes and/or the Remaining August 2018 Additional Notes declines and is worth less than certain thresholds then, within two business days of the delivery of a notice from GSI to the Republic, an additional amount (an "Additional Amount") in either EUR or USD (at the option of the Republic) must be paid by the Republic to GSI (subject to any such Additional Amount being at least 2% of the remaining Repurchase Price). Accordingly, the Republic may be required to pay Additional Amounts prior to the scheduled amortization dates and scheduled repurchase date when the value of the May 2019 Additional 2023 Notes and/or the Remaining August 2018 Additional Notes declines, even where no event of default or termination event has occurred. In addition, under certain circumstances and at certain times, the Republic may request that GSI return to the Republic an amount of the May 2019 Additional 2023 Notes and/or the Remaining August 2018 Additional Notes, either in cash or by transfer of the corresponding excess securities, if the value of the May 2019 Additional 2023 Notes and/or the Remaining August 2018 Additional Notes increases above certain thresholds or following certain scheduled amortization dates. Any Additional Amounts paid by the Republic to GSI will reduce the Repurchase Price, and any cash amounts returned by GSI to the Republic will increase the Repurchase Price.

Under the Amended August 2018 GSI-Ecuador Repurchase Agreement, GSI is required to transfer to the Republic an amount equivalent to all interest amounts to be paid by the Republic on the May 2019 Additional 2023 Notes and the Remaining August 2018 Additional Notes three business days prior to the date on which such interest amounts are to be paid by the Republic. GSI is also required to transfer to the Republic the 2018 Equivalent Property upon payment of the Repurchase Price in full. If an event of default occurs under the Amended August 2018 GSI-Ecuador Repurchase Agreement, the rights of the Republic to receive an amount equivalent to all interest amounts that are to be paid by the Republic on the May 2019 Additional 2023 Notes and the Remaining August 2018 Additional Notes may terminate, but the Republic will continue to be required to make all payments of principal and

interest in respect of the May 2019 Additional 2023 Notes and the Remaining August 2018 Additional Notes to the applicable holders thereof.

As was the case with the August 2018 GSI-Ecuador Repurchase Transaction, at any time during the term of the Amended August 2018 GSI-Ecuador Repurchase Transaction, either GSI or the Republic may request that any 2018 Equivalent Property be substituted for other identified Equivalent Securities issued by the Republic, subject to certain conditions, including that the market value of the other Equivalent Securities to be substituted in is equivalent to the market value of the 2018 Equivalent Property that are being substituted out. Any substitution of 2018 Equivalent Property for such new identified Equivalent Securities will be subject to the consent of both GSI and the Republic, each in their sole discretion other than any substitution request made by GSI to exchange 2018 Equivalent Property for Equivalent Securities issued prior to the date of the August 2018 GSI-Ecuador Repurchase Agreement.

In accordance with the substitution provisions set out in the amended and restated August 2018 GSI-Ecuador Repurchase Agreement (as amended and restated, the "Amended August 2018 GSI-Ecuador Repurchase Agreement") and pursuant to a notice of substitution dated May 23, 2019, on May 29, 2019: (a) U.S.$701,616,000 nominal amount of the August 2018 Additional Notes (comprised solely of 2020 Notes), which had a market value at the date of the notice of substitution of approximately U.S.$733.67 million (the "Substituted August 2018 Additional Notes") were returned to the Republic by GSI; and (b) U.S.$688,268,000 nominal amount of May 2019 Additional Notes (with a market value at the date of the notice of substitution of approximately U.S.$733.67 million) were transferred to GSI by the Republic. On May 29, 2019, the Republic cancelled the Substituted August 2018 Additional Notes pursuant to the terms of the indenture dated March 24, 2015, with respect to the 2020 Notes.

The execution of the documentation for the October 2018 Amendment and the issue of the May 2019 Additional 2023 Notes were authorized by the Republic's Debt and Finance Committee under *Acta Resolutiva* No. 010 dated October 10, 2018, and *Acta Resolutiva* No. 010-2019, dated May 21, 2019. The May 2019 Additional 2023 Notes were issued on May 31, 2019 in consideration for the transfer to the Republic of the Substituted August 2018 Additional Notes and the ongoing payment to the Republic of the interest amounts on the May 2019 Additional 2023 Notes, subject to the terms of the Amended August 2018 GSI-Ecuador Repurchase Agreement. The May 2019 Additional 2023 Notes are fully fungible with the 2023 Notes, and constitute general, direct, unsecured, unsubordinated and unconditional obligations of the Republic backed by the full faith and credit of the Republic and, based on an opinion of the Ministry of Economy and Finance of the Republic, have been legally and validly issued.

Pursuant to the amendment of Article 123 of the Public Planning and Finance Code by the Organic Law for Productive Development, which expressly provides that notes issued in connection with repurchase transactions are "contingent liabilities" (pasivos contingentes) and are not taken into account as public debt until they are no longer contingent, the Ministry of Economy and Finance has not considered the aggregate amount of the May 2019 Additional 2023 Notes or the Remaining August 2018 Additional Notes in the calculation of the total public debt to GDP ceiling. See "*Public Debt-Organic Law for Productive Development, Investment, Employment and Fiscal Stability.*" Were the May 2019 Additional 2023 Notes and the Remaining August 2018 Additional Notes no longer considered to be contingent, such as upon the occurrence of an event of default, the entire outstanding face amount of the May 2019 Additional 2023 Notes and the Remaining August 2018 Additional Notes may be considered in the calculation of the total public debt to GDP ceiling. If the entire face amount of the May 2019 Additional 2023 Notes and the Remaining August 2018 Additional Notes at issuance is taken into account in calculating the debt to GDP ratio, the aggregate debt to GDP ratio would be approximately 53.12%, under the New Methodology using the debt to GDP ratio information as of November 30, 2019 (which does not consider the Purchase Price, as defined above).

On May 31, 2019, the Republic, GSI and ICBC Standard Bank Plc entered into an agreement pursuant to which a portion of GSI's interest in the Amended August 2018 GSI-Ecuador Repurchase Agreement was transferred to ICBC Standard Bank Plc.

As a result of a decline in the valuation of the 2022 Notes and the 2023 Notes, GSI made four requests under the Amended August 2018 GSI-Ecuador Repurchase Agreement from November 19 through November 22,

2019, for the Republic to transfer additional payment amounts totaling U.S.$167,814,563.08, which payments were made from November 21 through November 26, 2019. After the recovery of the value of the 2022 Notes and the 2023 Notes, upon the Republic's request, these additional payment amounts were returned in full to the Republic.

With respect to the portion of GSI's interest in the Amended August 2018 GSI-Ecuador Repurchase Agreement that was transferred to ICBC Standard Bank Plc, ICBC Standard Bank Plc made three requests for additional payments from November 19 through November 22, 2019, for the Republic to transfer additional payment amounts totaling U.S.$36,369,031.10, which payments were made from November 21 through November 26, 2019. After the recovery of the value of the 2023 Notes and 2023 Notes, upon the Republic's request, these additional payment amounts were returned to the Republic in full.

CS Repo Transaction

On October 29, 2018 the Republic and CS entered into a master repurchase agreement governed by English law which is based upon the standard GMRA published by the International Securities Market Association and also includes a negotiated Annex dated as of October 29, 2018 (the GMRA and Annex collectively, the "CS-Ecuador GMRA").

Pursuant to a Confirmation dated as of October 29, 2018 (the "October 2018 Repo Confirmation", collectively with the CS-Ecuador GMRA, the "October 2018 CS-Ecuador Repurchase Agreement"), the Republic sold and transferred (such sale, transfer and repurchase pursuant to the terms of the October 2018 CS Ecuador Repurchase Agreement, the "October 2018 CS-Ecuador Repurchase Transaction") to CS U.S.$1,187,028,000 nominal amount of reopened 2022 Notes (the "CS Reopened Notes") (with an aggregate market value at the date of the transaction of U.S.$1,249,999,835.40) and in return received from CS a purchase price of EUR439,251,515.42 (the "Purchase Price", which the Republic and CS agreed would be settled in US dollars by the payment by CS of U.S.$500,000,000 to the Republic), the value of the Republic's residual interest in the October 2018 CS-Ecuador Repurchase Transaction and the interest amounts three business days prior to the date on which they are paid by the Republic on the CS Reopened Notes. The Republic is also required to pay to CS, on a quarterly basis, a price differential based upon LIBOR plus a spread. The CS Reopened Notes constitute Further Notes (as defined in the Indenture for the 2022 Notes) of the existing series of 2022 Notes currently being traded in the international markets. The issue of the CS Reopened Notes and the execution of the 2018 CS-Ecuador Repurchase Agreement were authorized by the Republic's Debt and Finance Committee under *Acta Resolutiva No.* 011 dated October 24, 2018. The CS Reopened Notes were issued on October 31, 2018 in consideration for the transfer to the Republic of the Purchase Price, the ongoing payment to the Republic of the interest amounts on the CS Reopened Notes and the value of the Republic's residual interest in the October 2018 CS-Ecuador Repurchase Transaction, subject to the terms of the October 2018 CS-Ecuador Repurchase Agreement. The CS Reopened Notes are fully fungible with the 2022 Notes and constitute general, direct, unsecured, unsubordinated and unconditional obligations of the Republic backed by the full faith and credit of the Republic and, based on an opinion of the Ministry of Economy and Finance of the Republic, have been legally and validly issued.

Under the terms of the October 2018 CS-Ecuador Repurchase Agreement, upon certain scheduled dates, the Republic is required to pay amounts to CS (Scheduled Additional Amounts) which reduce the Purchase Price (and therefore reduce the repurchase price payable by the Republic on the repurchase date (the "Repurchase Price")) and which in aggregate equal the original Purchase Price. The Republic is also required to pay to CS, on a quarterly basis, a price differential based upon LIBOR plus a spread. CS is in turn required to pay to the Republic, on a quarterly basis, interest amounts on all Scheduled Additional Amounts based upon LIBOR plus a spread. Upon the scheduled repurchase date, being 54 months from the commencement of the October 2018 CS-Ecuador Repurchase Transaction, CS is required to sell and transfer to the Republic equivalent property to the CS Reopened Notes (the "CS Equivalent Property") against payment by the Republic of the final Scheduled Additional Amount. In addition, the Republic may be required to repurchase CS Equivalent Property and pay the Repurchase Price (to the extent not already paid) to CS prior to the scheduled repurchase date if certain events of default or termination events occur. Under the October 2018 CS-Ecuador Repurchase Transaction, CS can sell or otherwise transfer any interest in the CS Reopened Notes at any time to any third party, although CS is required to retain economic exposure to the CS Equivalent Property for so long as CS has a future obligation, whether or not contingent, to deliver the CS

Equivalent Property. Upon the occurrence of an event of default, if CS elects to sell CS Equivalent Property to a third party in order to determine the amounts due between the parties under the October 2018 CS-Ecuador Repurchase Transaction, the Republic will have the right to submit a bid to purchase such CS Equivalent Property and CS will be obliged to accept such bid if such bid is the highest bid received, subject to the terms of the October 2018 CS-Ecuador Repurchase Agreement. Given that certain obligations are denominated in EUR under the October 2018 CS-Ecuador Repurchase Agreement, the all-in cost to the Republic of the agreement may be higher or lower than if all payments were denominated in USD. Furthermore, the Republic may elect under the terms of the agreement to make payments in EUR or USD.

In the event that the value of the CS Equivalent Property declines and is worth less than certain thresholds then, within two business days of the delivery of a notice from CS to the Republic, an additional amount (an "Additional Amount") must be paid by the Republic to CS (subject to any such Additional Amount being at least 2% of the remaining Purchase Price). Accordingly, the Republic may be required to pay Additional Amounts prior to the scheduled repurchase date when the value of the CS Reopened Notes decline, even where no event of default or termination event has occurred. In addition, under certain circumstances and at certain times, the Republic may request that CS return additional amounts if the value of CS Equivalent Property increases above certain thresholds. Any Additional Amounts paid by the Republic to CS shall reduce the Repurchase Price, and any additional amounts returned by CS to the Republic shall increase the Repurchase Price.

Under the October 2018 CS-Ecuador Repurchase Transaction, CS is required to transfer to the Republic an amount equivalent to all interest amounts to be paid by the Republic on the CS Reopened Notes three business days prior to the date on which such interest amounts are to be paid by the Republic. CS is also required to transfer to the Republic the CS Equivalent Property upon final payment of the Repurchase Price in full. If an event of default occurs under the October 2018 CS-Ecuador Repurchase Transaction, the rights of the Republic to receive an amount equivalent to all interest amounts that are to be paid by the Republic on the CS Reopened Notes will terminate, but the Republic will continue to be required to make all payments of principal and interest in respect of the CS Reopened Notes to the applicable holders of the CS Reopened Notes.

At any time during the term of the October 2018 CS-Ecuador Repurchase Agreement, either CS or the Republic may request (and in specific cases may be obliged to agree) that the CS Reopened Notes be substituted for other identified Equivalent Securities issued by the Republic, subject to certain conditions, including that the market value of the other Equivalent Securities to be substituted is equivalent to the market value of the CS Reopened Notes that are being substituted. The Republic may therefore issue new notes or re-open existing notes at any time for the purpose of a substitution described in this paragraph. The August 2019 Additional Notes (as defined below) were issued for the purpose of a substitution with CS Reopened Notes in accordance with the provision of the October 2018 CS-Ecuador Repurchase Agreement described in this paragraph.

In accordance with the substitution provisions set out in the October 2018 CS-Ecuador Repurchase Agreement, on August 6, 2019: (a) U.S.$1,187,028,000 nominal amount of the CS Reopened Notes (comprised solely of 2022 Notes), which had a market value at the date of the notice of substitution of approximately U.S.$1,309.7 million (the "Substituted October 2018 Additional Notes") were returned to the Republic by CS; and (b) U.S.$610,359,000 nominal amount of newly issued 2023 Notes (with a market value at the date of the notice of substitution of approximately U.S.$654.9 million) (the "2019 Additional 2023 Notes") and U.S.$611,870,000 nominal amount of newly issued 2026 Notes (with a market value at the date of the notice of substitution of approximately U.S.$654.9 million) (the "2019 Additional 2026 Notes") and, together with the August 2019 Additional Notes were transferred to CS by the Republic. On August 6, 2019, the Republic cancelled the Substituted October 2018 Additional Notes.

The issue of the August 2019 Additional Notes was authorized by the Republic's Debt and Finance Committee under *Acta Resolutiva* No. 021-2019 dated July 10, 2019. The August 2019 Additional Notes were issued on August 6, 2019 in consideration for the transfer to the Republic of the Substituted October 2018 Additional Notes and the ongoing payment to the Republic of the interest amounts on the August 2019 Additional Notes, subject to the terms of the October 2018 CS-Ecuador Repurchase Agreement. The 2019 Additional 2023 Notes are fully fungible with the 2023 Notes and the 2019 Additional 2026 Notes are fully fungible with the 2026

Notes, and each of the August 2019 Additional Notes constitute general, direct, unsecured, unsubordinated and unconditional obligations of the Republic backed by the full faith and credit of the Republic and, based on an opinion of the Ministry of Economy and Finance of the Republic, have been legally and validly issued.

Pursuant to the amendment of Article 123 of the Public Planning and Finance Code by the Organic Law for Development, Investment, Employment and Fiscal Stability, which expressly provides that notes issued in connection with repurchase transactions are contingent liabilities (*pasivos contingentes*) and are not taken into account as public debt until they are no longer contingent, the Ministry of Economy and Finance has not considered the aggregate amount of the CS Reopened Notes in the calculation of the total public debt to GDP ceiling, see "*Public Debt—Organic Law for Development, Investment, Employment and Fiscal Stability*". Were the CS Reopened Notes no longer considered to be contingent, such as upon the occurrence of event of default, the entire outstanding face amount of the CS Reopened Notes may be considered in the calculation of the total public debt to GDP ceiling. If the entire face amount of the CS Reopened Notes at issuance is taken into account in calculating the debt to GDP ratio, the aggregate debt to GDP ratio would be approximately 53.12%, under the New Methodology using the debt to GDP ratio information as of November 30, 2019.

As a result of a decline in the valuation of the August 2019 Additional Notes, CS made two requests on November 18, 2019, and November 19, 2019, respectively, for the Republic to transfer additional payment amounts totaling U.S.$225,339,699.48, which payments were made on November 20 and 21, 2019, respectively. After recovery of the August 2019 Additional Notes, upon the Republic's request, additional payment amounts totaling U.S.$177,492,564.32 have been returned to the Republic. The Republic is expected to request the return of the remaining additional amounts totaling U.S.$47,847,135.16.

THE INTER-AMERICAN DEVELOPMENT BANK

This Offering Circular incorporates by reference the IDB's information statement dated March 1, 2019 (the "2018 Information Statement") (which includes IDB's audited annual financial statements as of and for the period ended December 31, 2018), the IDB's information statement dated March 2, 2018, (the "2017 Information Statement") (which includes the IDB's audited annual financial statements as of and for the period ended December 31, 2017), and any Management's Discussion and Analysis and Condensed Quarterly Financial Statements (unaudited) filed by the IDB with the U.S. Securities Exchange Commission subsequent to the date of the 2018 Information Statement. *See "Documents Incorporated by Reference" below. The IDB undertakes no obligation to update any forward looking statements.*

Overview

The purpose of the IDB is to improve lives in Latin America and the Caribbean by contributing to the acceleration of the process of economic and social development of the regional member countries, individually and collectively. The IDB's objective is to achieve economic and social development in a sustainable climate-friendly way. The IDB's current focus areas include three development challenges: social inclusion and inequality, productivity and innovation, and economic integration; and three cross-cutting issues: gender equality and diversity, climate change and environmental sustainability, and institutional capacity and the rule of law. The IDB is an international institution established in 1959, pursuant to the Agreement Establishing the Inter-American Development Bank, and is owned by its member countries. These members include 26 borrowing member countries and 22 non-borrowing member countries. The five largest members by shareholdings (with their share of total voting power) are the United States (30.0%), Argentina (11.4%), Brazil (11.4%), Mexico (7.3%) and Japan (5.0%). Its headquarters are in Washington, D.C.

The primary activities of the IDB are conducted through ordinary capital (which consists of the paid-in capital, callable capital, reserves and funds borrowed in the international capital markets; together, the "Ordinary Capital"), the Fund for Special Operations (the "FSO," inactive), the Intermediate Financing Facility Account (the "IFF") and the IDB Grant Facility (the "GRF"). The FSO was established to make loans on highly concessional terms in less developed members countries of the IDB. The IFF's purpose is to subsidize part of the interest payments for which certain borrowers are liable on loans approved from the Ordinary Capital up to December 31, 2006. The GRF's purpose is to make grants appropriate for dealing with special circumstances arising in specific countries (currently only Haiti) or with respect to specific projects. Unless otherwise stated, all information provided in this Offering Circular refers to the Ordinary Capital.

For information on the IDB's rating, see "*General Information*" below.

Governance

All the powers of the IDB are vested in the Board of Governors, which consists of one governor and one alternate governor appointed by each member country. The Board of Executive Directors consists of 14 directors: one appointed by the governor of the United States, one appointed by the governor of Canada, three appointed by the governors for the non-regional member countries, and the remaining nine appointed by the governors for the borrowing member countries.

The Board of Governors has delegated to the Board of Executive Directors all its powers except certain powers reserved to the governors under the IDB Agreement. All matters before the Board of Governors and the Board of Executive Directors are decided by a majority of the total voting power of the IDB, except in certain cases provided in the IDB Agreement that require a higher percentage.

Operating Income

Income before net fair value adjustments on non-trading portfolios and foreign currency transactions and Board of Governors approved transfers, which is defined as "Operating Income" in the Information Statement, totaled U.S.$752 million in 2018.

Equity and Borrowings

Equity

The equity of the IDB includes the subscribed capital stock and retained earnings. The subscribed capital stock is divided into: (i) paid-in capital stock of $6,033 million, net of subscriptions receivable of U.S.$6 million, (ii) the additional paid-in capital of U.S.$5,812 million transferred from the FSO, and (iii) callable capital stock of U.S.$164,901 million. The callable capital stock is available as needed for debt service payments and thus provides the ultimate backing for borrowings and guarantees. It cannot be called to make loans. Retained earnings and Accumulated other comprehensive income totaled U.S.$21,906 million at the end of 2018.

The IDB's Capital Adequacy Policy ("CAP") consists of a Capital Adequacy Policy Mandate (the "Mandate"). The Mandate, approved by the Board of Governors, requires the IDB to maintain its Triple-A with all foreign currency long-term issuer rating agencies and includes the establishment of capital buffers (the capital buffer zone in the CAP equals the amount of capital required in excess of the minimum capital required to meet the Mandate), specifically to assume financial risks in times of stress, while preserving the IDB's lending capacity. The CAP regulations determine capital requirements for credit and market risk, in both its lending and treasury operations and also include capital requirements for pension and operational risks.

Specific risk limits in terms of capital requirements for investments and derivatives are also included that enable Management to design more efficient funding and investment strategies following the risk appetite established by the Board of Executive Directors.

As of December 31, 2018, the IDB's capital adequacy position is within the parameters established by its CAP.

Borrowings

The IDB issues debt securities in various currencies, maturities, formats and structures to meet investor demand and achieve diversification of funding sources. Outstanding borrowings of U.S.$89,923 million, before swaps, were denominated in 17 currencies and included U.S.$1,142 million of short-term borrowings. Since 2017, the IDB implemented a non-risk based leverage limit based on the Debt-to-Equity Ratio, which complements the current risk-based capital constraint. As of December 31, 2018, the Debt-to-Equity ratio equaled 2.9. During 2018 and as of the date of the Information Statement, the IDB continues to be rated Triple-A by the major credit agencies.

Loan Portfolio

The IDB's principal earning asset is its loan portfolio which amounted to U.S.$93,377 million as of December 31, 2018.

The IDB makes loans to its developing member countries, agencies or political subdivisions of such members and to private enterprises carrying out projects in their territories. In the case of sovereign guaranteed ("SG") loans to borrowers other than national governments or central banks, the IDB follows the policy of requiring a joint and several guarantee engaging the full faith and credit of the national government. Non-sovereign-guaranteed loans ("NSG") and guarantees may finance projects in borrowing member countries in all sectors, subject to an exclusion list, and are capped to an amount such that risk capital requirements for such loans and guarantees do not exceed 20% of Total Equity. On January 1, 2016, the transfer of operational and administrative functions and non-financial resources associated with NSG activities from the IDB to the Inter-American Investment Corporation ("IIC") became effective. During the seven-year period ending in 2022, the OC's NSG activities are

originated by the IIC and co-financed by IDB and the IIC. At December 31, 2018, approximately 94% of the loan portfolio consisted of sovereign guaranteed loans.

With respect to sovereign-guaranteed loans, as a matter of policy the IDB does not reschedule or restructure its lending agreements. The treatment of sovereign-guaranteed loans in arrears and/or in non-accrual status is regulated by Bank procedures. Payment arrears in excess of 30 days result in the suspension of loan disbursements, prevents the IDB from approving new loans to borrowers in the same member country, causes the loan to be declared due and payable and will result in the loan portfolio to such country being placed in non-accrual status if the payment arrears persist for more than 180 days. The IDB has not written off, and has no expectation of writing off, any sovereign-guaranteed loans.

As of December 31, 2018, debt service due on sovereign guaranteed loans made to the Republic of Venezuela amounting to U.S.$227 million have been in arrears for over 180 days; the entire loan outstanding balance of U.S.$2,011 million has been placed in nonaccrual status and has been classified as impaired. Placing these loans in non-accrual status has resulted in a reversal and non-recognition of loan interest income of U.S.$108 million, and an increase in the specific allowance of loan losses of U.S.$17 million, as of December 31, 2018.

The allowance for loan and guarantee losses are made for incurred probable losses related to SG and NSG loans and guarantees totaled U.S.$434 million as of December 31, 2018, or approximately 0.5% of total outstanding loans and guarantees.

Liquidity Investments

Under the current policy, the IDB's liquidity floor covers, at a minimum, 12 months of projected net cash requirements, after accounting for liquidity haircuts, while the liquidity ceiling is set to allow the entire yearly borrowing program to be executed in the first quarter of the year. The IDB has remained compliant with the required liquidity levels.

Liquidity for this purpose is defined as non-borrowing countries' convertible currency cash and investments, excluding assets with limited or restricted availability. At December 31, 2018, liquidity, as defined, was U.S.$31,715 million, within the policy limits. During the year, liquidity averaged U.S.$36,259 million compared to U.S.$33,219 million in 2017.

Net cash and investments totaled U.S.$32,704 million at the end of 2018, or 35.4% of total debt (after swaps), compared to U.S.$33,600 million and 37.5%, respectively, in 2017.

Operational and income transfers to the Inter-American Investment Corporation

In 2016, the transfer of operational and administrative functions and non-financial resources associated with NSG activities from the IDB to the IIC became effective. During the seven-year period ending in 2022, NSG activities will be originated by the IIC and co-financed by the IDB and the IIC. For co-financed NSG loans, the IDB and the IIC maintain separate legal and economic interests in their respective share of the loan principal balance, interest, and other elements of the lending arrangement. The IIC also executes and monitors the IDB's NSG portfolio.

IIC's capitalization plan includes additional capital to be contributed by the IIC shareholders. Further, the IIC receives additional capital from its shareholders through approved transfers of a portion of Ordinary Capital's income in lieu of distributing this income to the shareholders of both the IDB and IIC beginning in 2018. These transfers are accounted for as dividends to the IDB's shareholders. These income transfers are intended to be achieved during the period 2018-2025 and for an amount not exceeding U.S.$725 million. These transfers are conditional upon annual Board of Governors' approval, which shall take into account the continued maintenance of the IDB's Triple-A long-term foreign currency credit rating, the CAP, the preservation of the sovereign-guaranteed lending envelope consistent with IDB-9, and the construction of the buffers in accordance with the CAP, as well as

other applicable financial policies of the IDB. In March 2018, the Board of Governors approved a U.S.$50 million distribution to the shareholders of the IDB for a concurrent capital contribution to the IIC on their behalf.

Risk Management

The IDB conducts its operations within a framework of prudent financial and risk management policies and follows a well-defined risk management decision-making process, directed to limit its risk exposure. The asset/liability management policy minimizes exchange rate risk by matching the IDB's liabilities in various currencies with assets in those same currencies while hedging open positions. The IDB also limits the interest rate risk in its debt funded loan and liquidity portfolios by hedging the interest rate exposure or passing through the cost of borrowings that fund the loans. For equity funded assets, the policy mandates managing interest rate exposure through an equity duration strategy.

Commercial credit risk in the liquid asset investment portfolio and derivatives portfolio is managed through conservative risk policies that require exposures to be limited to high quality issuers and counterparties. Credit exposures to swap counterparties are further mitigated through netting and collateralization arrangements.

Development Operations

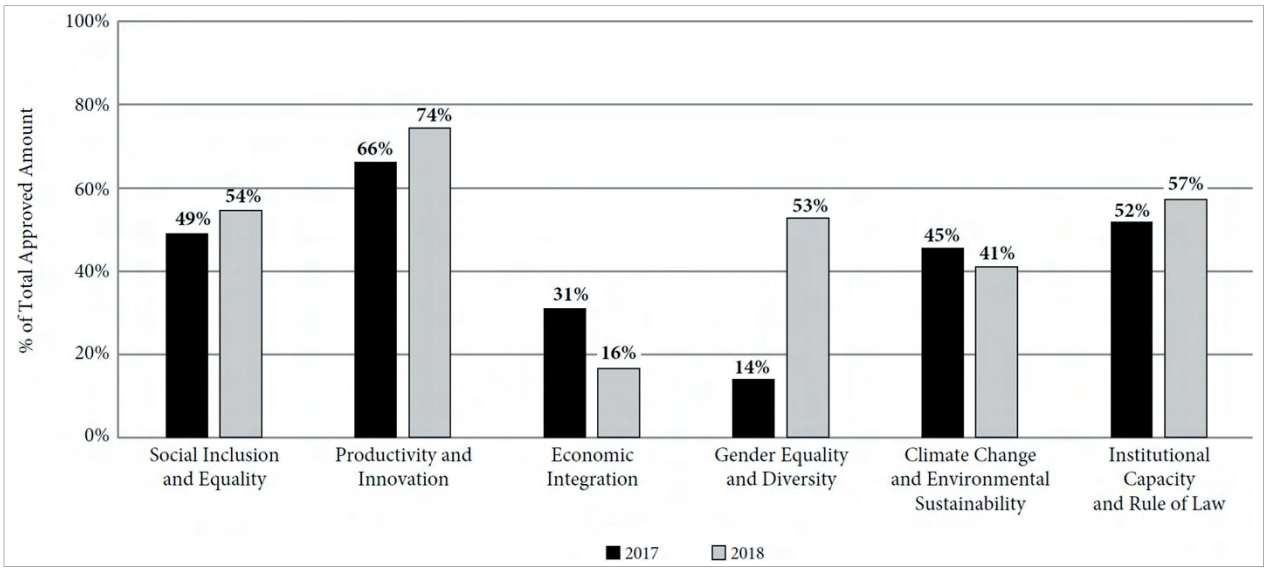
General

The IDB makes loans and guarantees to the governments, as well as governmental entities, enterprises, and development institutions of its borrowing member countries to help meet their development needs. In the case of loans and guarantees to borrowers, other than national governments or central banks, the IDB follows the policy of requiring a joint and several guarantee engaging the full faith and credit of the national government. Loans and guarantees may also be made directly to other eligible entities carrying out projects in the territories of borrowing member countries, including private sector entities or sub-sovereign entities, without a sovereign guarantee and in all sectors (subject to an exclusion list), provided they meet the IDB's lending criteria. The IDB also provides financing to borrowing member countries for non-reimbursable and contingent recovery assistance that is aligned with its overall strategy for the region.

Development Objective

The IDB works to improve lives in Latin America and the Caribbean. Its mission is to contribute to the acceleration of the process of economic and social development of the regional developing member countries, individually and collectively, with the overarching objectives of fostering sustainable growth and reducing poverty and inequality. To deliver on its objectives, the 2016-2019 Update to the Institutional Strategy includes six strategic priorities for the IDB to continue to support development progress in the region. These include the three development challenges of social inclusion and equality, productivity and innovation, and economic integration; and three cross-cutting issues of gender equality and diversity, climate change and environmental sustainability, and institutional capacity and the rule of law. Figure 1 presents the percentage of SG loan approval volume for 2018 and 2017 aligned with each strategic priority**.**

Figure 1: Loan approvals by sector priorities for the years ended December 31, 2018 and 2017[(1)]



(1) Loans may be categorized in more than one sector priority; therefore, percentages may not necessarily add to 100%.

Through its institutional strategy and mandates, the IDB is committed to expanding the focus on environmental and social sustainability, gender equality and diversity, response to climate change, promotion of sustainable energy, and ensuring food security.

Lending Cycle

The process of identifying and assessing a project and approving and disbursing a loan often extends over several years, depending on the nature, objective and purpose of the individual project. However, on numerous occasions, the IDB has shortened the preparation and approval cycle in response to emergency situations such as natural disasters or economic crises. Generally, the IDB's operational staff, which includes economists, engineers, financial analysts and other sector and country specialists, assesses the projects. With certain exceptions, where this authority has been delegated to Management, the IDB's Board approves each loan.

Loan disbursements are subject to the fulfillment of conditions precedent set forth in the loan agreement. During the implementation of the IDB-supported operations, experienced IDB staff review progress, monitor compliance with the IDB policies and assist in resolving any problems that may arise. The Office of Evaluation and Oversight, an independent IDB unit, evaluates loan operations pursuant to an annual work plan approved by the Board to determine the extent to which major objectives have been met. The results of these evaluations are reported directly to the Board and are publicly available.

The IDB's lending operations conform to certain principles that, when combined, seek to ensure that loans made to member countries are for financially and economically sound purposes to which these countries have assigned high priority, and that funds lent are utilized as intended. These principles are detailed next:

(i) The IDB makes SG loans and guarantees primarily to central governments, as well as subnational governments, governmental entities, public enterprises, and development institutions of its borrowing members. In addition, the IDB makes NSG loans and guarantees to eligible entities and other development institutions.

(ii) Loan applicants must submit a detailed proposal to the IDB specifying the technical, economic and financial merits of the project. The proposal must include an evaluation of the project's expected environmental risks or impact and proposed mitigation measures as well as its impact on gender and indigenous groups, as applicable.

(iii) The IDB neither renegotiates nor takes part in debt rescheduling agreements with respect to its sovereign guaranteed loans.

(iv) In making loans, the IDB evaluates the capacity of the borrower to carry out its financial obligations under the loan agreement, the prevailing macroeconomic climate and debt burden of the country, the ability of the executing agencies to execute IDB financed projects, and other policy and institutional issues relevant to the loan.

(v) The IDB considers the ability of the borrower to obtain private financing under reasonable terms and conditions. The IDB serves as a catalyst to promote private investment, not to compete with it.

(vi) The use of loan proceeds is supervised. IDB staff monitor and supervise the on-going progress with respect to the development objectives of each operation through the IDB's Country Offices in each of its 26 borrowing member countries, and fiduciary arrangements are in place to ensure proper use of IDB resources to achieve the operation's objectives.

Legal Status, Immunities and Privileges

The following is a summary of the principal provisions of the IDB Agreement relating to the legal status, immunities and privileges of the IDB in the territories of its members.

The IDB possesses juridical personality and has full capacity to contract, to acquire and dispose of immovable and movable property, and to institute legal proceedings. Actions may be brought against the IDB only in a court of competent jurisdiction in the territories of a member in which the IDB has an office, has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed debt securities. No action shall be brought against the IDB by members or persons acting for or deriving claims from members.

The property and assets of the IDB are immune from all forms of seizure, attachment or execution before the delivery of final judgment against the IDB. Such property and assets are also immune from search, requisition, confiscation, expropriation or any other form of taking or foreclosure by executive or legislative action. The archives of the IDB are inviolable. The Governors, Executive Directors, their Alternates, officers and employees of the IDB are immune from legal process with respect to acts performed by them in their official capacity, except when the IDB waives this immunity.

The IDB, its property, other assets, income and the operations and transactions it carries out pursuant to the IDB Agreement are immune from all taxation and from all customs duties in its member countries. The IDB is also immune from any other obligation relating to the payment, withholding or collection of any tax or duty.

Under the IDB Agreement, securities guaranteed by the IDB and the interest thereon are not subject to any tax by a member (a) which discriminates against such debt securities solely because they are guaranteed by the IDB, or (b) if the sole jurisdictional basis for such taxation is the location of any office or place of business maintained by the IDB.

Documents Incorporated by Reference

The IDB's information statement dated March 1, 2019 (the "2018 Information Statement") (which includes the IDB's audited annual financial statements as of and for the period ended December 31, 2018), the IDB's information statement dated March 2, 2018, (the "2017 Information Statement") (which includes the IDB's audited annual financial statements as of and for the period ended December 31, 2017), and any Management's Discussion and Analysis and Condensed Quarterly Financial Statements (unaudited) filed by the IDB with the U.S. Securities Exchange Commission subsequent to the date of the 2018 Information Statement, shall be deemed to be incorporated in, and to form part of, this Offering Circular.

As such, any information contained herein is qualified by the detailed information and financial statements appearing in any document so incorporated as of the date of such document. In addition, the 2018 Information Statement contains forward-looking information, which may be identified by such terms as "believes", "expects", "intends" or words of similar meaning. Such statements involve a number of assumptions and estimates that are based on current expectations, which are subject to risks and uncertainties beyond the IDB's control. Consequently, actual future results could differ materially from those currently anticipated. The IDB undertakes no obligation to update any forward-looking statements.

DESCRIPTION OF THE NOTES

Ecuador will issue the Notes under the Indenture. The following description summarizes the material provisions of the Notes and the Indenture. The following description summarizes the material provisions of the Notes and the Indenture. This summary does not contain all of the information that may be important to you as a potential investor in the Notes. You should read the Indenture and the form of the Notes before making your investment decision.

General

Authorization

The issue of the Notes was authorized by the Republic's Debt and Finance Committee under Acta Resolutiva No. 034-2019 dated December 5, 2019.

Basic Terms

The Notes will:

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

- be initially issued in an aggregate principal amount of U.S.$400,000,000 of 7.25% Social Housing Notes due 2035;

- have a final maturity date of January 30, 2035 (the "Maturity Date"), and unless previously redeemed, or purchased and cancelled, the Notes will be redeemed in semi-annual installments, commencing in July 30, 2020 in accordance with the amortization schedule as set out below:

Scheduled Payment/Amortization Date	Scheduled Principal Payment/ Amortization Amount	Outstanding Principal Amount of the Notes
30-Jul-20	0.00	400,000,000.00
30-Jan-21	0.00	400,000,000.00
30-Jul-21	25,000,000.00	375,000,000.00
30-Jan-22	25,000,000.00	350,000,000.00
30-Jul-22	29,000,000.00	321,000,000.00
30-Jan-23	29,000,000.00	292,000,000.00
30-Jul-23	35,000,000.00	257,000,000.00
30-Jan-24	35,000,000.00	222,000,000.00
30-Jul-24	9,000,000.00	213,000,000.00
30-Jan-25	9,000,000.00	204,000,000.00
30-Jul-25	2,000,000.00	202,000,000.00
30-Jan-26	2,000,000.00	200,000,000.00
30-Jul-26	2,000,000.00	198,000,000.00
30-Jan-27	2,000,000.00	196,000,000.00
30-Jul-27	2,000,000.00	194,000,000.00
30-Jan-28	2,000,000.00	192,000,000.00
30-Jul-28	3,500,000.00	188,500,000.00
30-Jan-29	3,500,000.00	185,000,000.00
30-Jul-29	5,500,000.00	179,500,000.00

30-Jan-30	5,500,000.00	174,000,000.00
30-Jul-30	9,000,000.00	165,000,000.00
30-Jan-31	9,000,000.00	156,000,000.00
30-Jul-31	10,000,000.00	146,000,000.00
30-Jan-32	10,000,000.00	136,000,000.00
30-Jul-32	25,000,000.00	111,000,000.00
30-Jan-33	25,000,000.00	86,000,000.00
30-Jul-33	25,000,000.00	61,000,000.00
30-Jan-34	25,000,000.00	36,000,000.00
30-Jul-34	18,000,000.00	18,000,000.00
30-Jan-35	18,000,000.00	0.00

On each principal payment date, the record holders of the Notes will be entitled to receive in the aggregate a principal payment equal to the principal payment amount corresponding to such payment date set forth in the preceding table (for each payment date, as such amount may be decreased as a result of the cancellation of Notes, including as a result of a redemption as described under "— *Optional Redemption*");

- be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof;

- be initially represented in the form of global notes, without coupons, registered in the nominee name of the common depositary for Euroclear and Clearstream for the accounts of its participants. In certain circumstances (including if requested at any time by any holder of the Notes or by a party authorized or instructed to act on its behalf (along with providing evidence satisfactory to the Trustee of its authority or instruction)), some or all of a holder's interest in the Notes in global form may be converted into Notes in definitive form. For such purposes, the Republic will pre-execute 25 Definitive Notes (the "Pre-Executed Definitive Notes") on the issue date and deposit those Pre-Executed Definitive Notes with the Trustee. Whenever Notes in definitive form are required to be issued and delivered in accordance with the terms of the Indenture, the Trustee may authenticate one or more Pre-Executed Definitive Notes for such purpose (or, if the Trustee is not holding any Pre-Executed Definitive Notes at the relevant time, the Republic will be required to execute such Notes in definitive form as required in accordance with the terms of the Indenture). The Notes in definitive form will not (except in limited circumstances) benefit from the Guarantee; and

- be redeemable at the option of Ecuador (see "—*Optional Redemption*"), subject to the terms of the Guarantee Agreement, see "*Annex A—The Guarantee Agreement.*"

Interest on the Notes

Interest on the Notes will:

- accrue at the rate of 7.25% per annum;

- accrue from and including the date of issuance or the most recent payment date;

- be payable semi-annually in arrear on January 30 and July 30 of each year, commencing on July 30, 2020;

- be payable to the holders of record at the end of the Business Day immediately preceding the related interest payment date; and

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

General Terms of the Notes

Payment

Ecuador will make payments of principal of, interest (including Additional Amounts (as defined below), if any) on and premiums, if any, on the Notes by wire transfer of immediately available funds to the Paying Agent on the Business Day prior to each scheduled payment date. The Paying Agent will apply the amounts it receives from Ecuador towards the payment of principal, interest (including Additional Amounts, if any) and premiums, if any, then due. While the Notes are held in global form, the Paying Agent will make such payments applicable to the Notes to Euroclear or Clearstream or its nominee, as the registered owner of the Notes, by check or wire transfer in immediately available funds. Euroclear or Clearstream will distribute the funds it receives from the Paying Agent to beneficial holders of the Notes having accounts at Euroclear or Clearstream, in accordance with Euroclear's or Clearstream's records and operating procedures. To hold a beneficial interest in the Notes you must hold an account at Euroclear or Clearstream directly or through a financial or other institution that has a direct or indirect account with Euroclear or Clearstream.

None of Clearstream or Euroclear is an agent of Ecuador. The Trustee is a fiduciary of the holders of the Notes and any monies it receives from Ecuador will, pending payment, be held by it in trust for the exclusive benefit of the holders of the Notes. Euroclear and Clearstream are clearing agencies. The manner in which each of Euroclear and Clearstream maintains records of beneficial interest in the Notes and how it distributes payments made by Ecuador on account of such interest are within its sole discretion. None of Ecuador, the Trustee or the Paying Agent shall have any responsibility or liability for any aspect of the records of, or payments made by, Euroclear or Clearstream or their nominees or direct participants, or for any failure on the part of Euroclear or Clearstream or their direct participants in making payments to holders of the Notes from the funds they receive. Ecuador's obligations to make payments of principal of and interest on the Notes shall be satisfied when such payments are received by the Trustee.

If Ecuador issues definitive Notes, the Paying Agent will make payments by check mailed to the holder's registered address or, upon application by the holder of at least U.S.$1,000,000 in principal amount of definitive Notes delivered to the Trustee not later than the relevant record date, by wire transfer to an account designated by such holder.

If any date for an interest or principal payment on the Notes is not a Business Day, Ecuador will make the payment on the next Business Day. No interest on the Notes will accrue as a result of this delay in payment.

If any money deposited with or paid to the Trustee or to any Paying Agent for the purpose of making payments on any Notes is not claimed at the end of two years after the applicable payment was due and payable, then the money will be repaid to Ecuador (or the Guarantor if such monies were received from the Guarantor). Ecuador will hold the money in trust for the relevant holders until four (4) years from the date on which the payment first became due or a shorter period of time provided by law. Before any such repayment, the Trustee may mail or publish in an authorized newspaper notice that such money remains unclaimed. After any such repayment, holders entitled to receive payment from such monies may look only to Ecuador or the Guarantor (as applicable) for such payment, and neither the Trustee nor any paying agent will be liable for such payment.

Additional Amounts

Unless otherwise required by law, Ecuador will make all principal and interest payments on the Notes without withholding or deducting any present or future taxes imposed by Ecuador or any of its political subdivisions or taxing authorities. If Ecuador is required by law to deduct or withhold taxes, Ecuador will pay the holders of the Notes such additional amounts as may be necessary to ensure that they receive the same amount as they would have received without any withholding or deduction. Any such amounts to be paid by Ecuador in accordance with this paragraph shall be "Additional Amounts".

Ecuador will not, however, pay any Additional Amounts in respect of any tax, assessment or other Governmental charge that is imposed due to any of the following:

- the holder or beneficial owner has or had some connection with Ecuador other than merely holding the Note or the receipt of any payment of principal of or interest on that Note;

- the holder has failed to present, where presentation is required, its Note for payment within 30 days after the payment first became due or, if the full amount of such payment is not received by the Paying Agent on or prior to such due date, the date on which notice is given to the holder that such payment has been received and is available to the holder except to the extent that holder thereof would have been entitled to Additional Amounts on presenting the same for payment as on the last day of such period of 30 days;

- the holder or beneficial owner has failed to comply with any certification or other reporting requirement concerning its nationality, residence, identity or connection with Ecuador or any of its political subdivisions or taxing authorities, and Ecuador or any of its political subdivisions or taxing authorities requires compliance with these reporting requirements as a precondition to exemption from all or any portion of any tax withholding or deduction and has notified the holder or beneficial owner, as applicable, in writing at least 60 days prior to the first scheduled payment date for which compliance will be required;

- where the withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC (as amended from time to time) or any other directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- when presented for payment by or on behalf of a holder who would have been able to avoid the withholding or deduction by presenting the relevant Note to another paying agent in a member state of the European Union.

Ecuador will pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies which arise in Ecuador or any of its political subdivisions or taxing authorities in respect of the creation, issue, execution, delivery or registration of the Notes or any other document or instrument referred to therein. Ecuador will also indemnify the holder and the Trustee from and against any stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies resulting from, or required to be paid by any of them in any jurisdiction in connection with, the enforcement of Ecuador's obligations under the Notes or any other document or instrument referred to therein following an event of default.

Repurchase

Ecuador may at any time, in accordance with applicable laws, tender for or repurchase the Notes at any price in the open market or otherwise. Any Notes so purchased (including upon any redemption) shall not be re-issued or resold except in compliance with the Securities Act and other applicable law. Ecuador may hold Notes it purchases or may surrender them to the Trustee for cancellation.

Optional Redemption

Ecuador will have the right at its option upon giving (1) not less than 30 days nor more than 60 days' notice to the holders of the Notes and (2) not less than 30 days' notice to the Trustee, to redeem the Notes, in whole (and not in part only), at any time or from time to time prior to their maturity, at a redemption price (the "Optional Redemption Amount") equal to the greater of (i) 100% of the principal amount of such Notes and (ii) the sum of the present value of each remaining scheduled payment of principal and interest thereon (without double counting of any interest accrued and paid to the date of redemption) discounted to the redemption date on a semi-annual basis

(assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus 50 basis points (the "Make-Whole Amount") plus in each case accrued and unpaid interest to the redemption date on the Notes to be redeemed on such date (an "Optional Redemption"). If the Republic requires the Trustee to send notice of any Optional Redemption to the Holders, then the Republic shall be required to give the Trustee not less than 35 days' notice (rather than 30 days' notice) of such Optional Redemption.

On and after the redemption date, to the extent that the Optional Redemption Amount is paid by Ecuador, interest will cease to accrue on the Notes.

In the event that Ecuador fails to make payment of any amount due in connection with an Optional Redemption: (i) such failure to make payment shall constitute an Event of Default; (ii) a majority of Holders of the Notes may (at their option) direct the Trustee to reinstate the original schedule of payments of principal and interest on the Notes as if such Optional Redemption had not been elected by the Republic, in which case such original Schedule of payments shall be reinstated and such Optional Redemption (and any amounts payable by the Republic in connection therewith) shall be disregarded; and (iii) if the original schedule of payments on the Notes is not reinstated in accordance with subparagraph (ii) above then the Guarantee shall continue to only cover any payments of Scheduled Payment Amounts on their original payment dates up to the Maximum Guaranteed Amount (and so will not cover any amounts due and payable from the Republic on any earlier date due to the occurrence of an Optional Redemption).

"Comparable Treasury Issue" means the United States of America Treasury security or securities selected by an Independent Investment Banker (as defined below) as having an actual or interpolated maturity comparable to the period equal to the actual or interpolated remaining weighted average life of the Notes to be redeemed (from the redemption date of such Notes) that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of comparable debt securities of a comparable maturity to the period equal to the actual or interpolated remaining weighted average life of such Notes (from the redemption date of such Notes.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of the Reference Treasury Dealer Quotations (as defined below) for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations or (ii) if Ecuador obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations. When obtaining a Comparable Treasury Price, Ecuador must consult at least three Reference Treasury Dealers.

"Independent Investment Banker" means one of the Reference Treasury Dealers (as defined below) appointed by Ecuador.

"Reference Treasury Dealer" means a dealer selected by Ecuador that is a primary United States government securities dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker (after consultation with the Republic), of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to Ecuador by such Reference Treasury Dealer at 3:30 p.m., New York time on the third Business Day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (as defined above) calculated by the Independent Investment Banker, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Certain Covenants

Ecuador has agreed that as long as any of the Notes remain outstanding or any amount payable by Ecuador under the Indenture remains unpaid, Ecuador will:

1. ensure that the proceeds of the Notes are initially received in the *cuenta única* (the sole Treasury account of the Republic at the Central Bank) and it is expected that such proceeds will be transferred immediately to a trust account established for the purposes of financing construction of social housing by MIDUVI following the guidelines of the ROP;

2. obtain and maintain in full force and effect all Ecuadorian Authorizations, necessary under the laws of Ecuador for the execution and delivery of, and performance by Ecuador under, the Notes and the Indenture or for their validity or enforceability, and take all necessary and appropriate Governmental and administrative action in Ecuador in order for Ecuador to be able to make all payments to be made by it under the Notes and the Indenture;

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

4. use its reasonable best efforts to list and thereafter to maintain the listing of the Notes on the Luxembourg Stock Exchange; and

5. not create or suffer to exist, or permit the Central Bank to create or suffer to exist, any Lien upon any of its present or future assets or revenues to secure or otherwise provide for the payment of any External Indebtedness of Ecuador or the Central Bank unless, on or prior to the date such Lien is created or comes into existence, the obligations of the Republic under the Notes and the Indenture are secured equally and ratably with such External Indebtedness, subject to certain exceptions.

Ecuador may, however, create or permit to subsist the following Liens ("Permitted Liens"):

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

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

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

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

- any Lien in existence as of the date of issuance of the Notes;

- any Lien securing External Indebtedness issued upon surrender or cancellation of the principal amount of any of the Excluded Indebtedness, as defined under "*—Certain Defined Terms*" below, to the extent the Lien is created to secure the External Indebtedness;

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

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

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

Events of Default

Each of the following is an event of default under the Notes (an "Issuer Event of Default"):

1. *Non-Payment*: the Republic fails, on the applicable payment date, to make any payment on the Notes (unless such non-payment is due to an administrative or technical error and is remedied within five (5) Business Days of the date when such payment is due), *provided* that, any Event of Default that occurs under this sub-paragraph as a result of the non-payment of any amount by the Republic shall be deemed to be cured if, following such non-payment by the Republic, the Guarantor pays an amount to the Trustee under the Guarantee (in accordance with the terms of the Guarantee Agreement) which is equal to the amount that was not paid by the Republic (and, as a result of such payment under the Guarantee, no further amounts are immediately due, and payable by the Republic on the Notes);

2. *Breach of Other Obligations*: Ecuador fails to perform or comply with any other obligation under the Notes or under the Indenture and Ecuador does not or cannot cure that failure within 30 days after it receives written notice from the Trustee or holders of at least 25% of the Notes then outstanding regarding that default;

3. *Cross Default*:

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

    - The holders of at least 25% of the aggregate outstanding principal amount of any External Indebtedness (other than the Excluded Indebtedness) having an aggregate principal amount in excess of U.S.$50,000,000 (or its equivalent in any other currency), accelerate or declare such External Indebtedness to be due and payable, or required to be prepaid (other than by a regularly scheduled prepayment), prior to its stated maturity, as a result of any default by

Ecuador under such External Indebtedness, and such acceleration, declaration or prepayment is not annulled or rescinded within 30 days;

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

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

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

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

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

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

10. *Guarantee Non-Payment*: for so long as the Guarantee remains in effect and has not otherwise terminated in accordance with the terms of the Guarantee Agreement, the Guarantor fails to pay any amount when due and payable thereunder in accordance with the terms of the Guarantee Agreement and such failure is not cured within three (3) Business Days from the date such amount was due;

11. *Validity of the Guarantee:* the validity of the Guarantee is contested by the Guarantor and/or the Guarantor denies any of its obligations thereunder (whether by a general suspension of payments or otherwise); or

12. *Termination of the Guarantee:* the Guarantor terminates (or seeks to terminate) the Guarantee other than in accordance with section 2.10 (*Termination Events*) of the Guarantee Agreement.

If any of the above Events of Default occurs and is continuing, the Trustee may, and, at the written direction of (i) holders of at least 25% of the aggregate principal amount of the then-outstanding Notes or (ii) if such Event of Default is continuing for a period of 90 days or more, holders of at least 10% of the aggregate principal amount of the then-outstanding Notes, shall, declare the principal amount of all the Notes to be immediately due and payable by notifying the Republic and the Guarantor in writing. The Notes will become due and payable on the date such written notice is received by or on behalf of the Republic, unless prior to such date all events of default in respect of all of the Notes have been cured or waived by the holders of not less than a majority of the principal amount of the then-outstanding Notes as provided in the Notes or in the Indenture.

The Trustee will, on behalf of the holders of all of the Notes, by written notice to the Republic and the Guarantor, rescind and annul such declaration of acceleration and its consequences, if:

- all Events of Default (other than the non-payment of principal that became due solely as a result of such acceleration) have been cured, waived by the holders of not less than 75% of the principal amount of the outstanding Notes or remedied; and

- the Trustee shall have been reimbursed or otherwise compensated by the Republic for all documented costs, expenses and liabilities reasonably incurred by the Trustee as a result of any such Event of Default.

If any of the Guarantor Events of Default occurs and is continuing, the Trustee may, and at the written direction of holders of at least 25% of the aggregate principal amount of the then-outstanding Notes held by Guaranteed Holders shall, declare that all amounts payable under the Guarantee (up to the Maximum Guaranteed Amount on the relevant date) to be immediately due and payable by the Guarantor, by notifying the Republic and the Guarantor in writing in accordance with the terms of the Guarantee Agreement. All amounts payable under the Guarantee will become due and payable on the date such written notice is received by or on behalf of the Guarantor, unless prior to such date all Guarantor Events of Default have been cured or waived by the holders of not less than a majority of the principal amount of the then-outstanding Notes as provided in the Notes or in the Indenture. On the date on which the Guarantee is accelerated (which shall be the date on which the Trustee gives notice thereof to the Guarantor in accordance with the terms of the Guarantee Agreement), an amount equal to the Maximum Guaranteed Amount shall become immediately due and payable by the Guarantor to the Trustee (on behalf of the Guaranteed Holders) under the Guarantee Agreement.

Limitation on Time for Claims

Claims against Ecuador for the payment of principal of or interest on the Notes (including Additional Amounts and Make-Whole Amounts, if any) must be made within six years after the date on which such payment first became due, or such shorter period provided by applicable law.

Modifications – Collective Action

Any Modification of the Indenture or the terms and conditions of the Notes may be made or given pursuant to a written or other action of the holders of the Notes in accordance with the applicable provisions of the Indenture or the Notes.

The Notes contain collective action clauses regarding future Modifications, as defined under *"—Certain Defined Terms*" below, of the terms and conditions of the Notes or the Indenture as described below:

No amendment, modification or waiver of any provision of the Indenture or the Terms that adversely affect the obligations of the Guarantor thereunder may be made without the prior written consent of the Guarantor. Such consent will not be unreasonably withheld by the Guarantor and will be subject to deemed consent after ten (10) Business Days of such written consent being sought. In connection with any amendment, modification or waiver of any provision of the Indenture or the Terms, the Republic will seek the relevant consent of the Guarantor under and in accordance with the terms of the Guarantee Agreement. Any amendment, modification or waiver of any provision of the Guarantee Agreement will require prior written consent of the Guarantor pursuant to the terms of the Guarantee Agreement.

In the case of any Modification of the terms and conditions of the Notes or of the Guarantee or of the Indenture which constitutes a Non-Reserved Matter, as defined under *"—Certain Defined Terms*" below, such Modification may be made with the consent of Ecuador and of holders of at least 66 2/3% in aggregate principal amount of the Notes then outstanding.

In the case of any Modification of the terms and conditions of the Notes or of the Indenture which constitutes a Reserved Matter, as defined under *"—Certain Defined Terms*" below, such Modification may be made with the consent of Ecuador and of holders of at least 75% in aggregate principal amount of the Notes then outstanding.

Additionally, the Notes allow Ecuador to make Reserved Matter Modifications affecting two or more series of debt securities. The customary definition of "Reserved Matters" in the Notes will be expanded to include specific references to changes to the Guarantee.

If the Republic proposes any Reserved Matter Modification (i) to the terms and conditions of the Notes and the terms and conditions of at least one other series of debt securities issued by the Republic (including the Notes), and/or (ii) to the Indenture insofar as it affects the Notes and to any other indenture(s), fiscal agency agreement(s) or similar issuance documentation relating to at least one other series of debt securities insofar as it affects such debt securities, (in each case, containing multiple series modification provisions in substantially the same form as in the Indenture), any modification to the terms and conditions of two or more series may be made, and, in each case, further compliance therewith may be waived, with the consent of the Republic, and (x) the holders of at least 66⅔% of the aggregate principal amount of the outstanding debt securities of all series that would be affected by that reserved matter modification (taken in aggregate); and (y) the holders of more than 50% of the aggregate principal amount of the outstanding debt securities of each affected series (taken individually).

Any such proposed Reserved Matter Modification may be made in respect of some series of debt securities only and may be used for different groups of two or more series of debt securities, containing multiple series modification provisions substantially in the same form as in the Indenture, simultaneously.

If the Republic proposes any Reserved Matter Modification (i) to the terms and conditions of the Notes and the terms and conditions of at least one other series of debt securities issued by the Republic, and/or (ii) to the Indenture insofar as it affects the Notes and to any other indenture(s), fiscal agency agreement(s) or similar issuance documentation relating to at least one other series of debt securities insofar as it affects such debt securities, (in each case, containing multiple series modification provisions in substantially the same form as in the Indenture), any modification to the terms and conditions of two or more series may be made, and, in each case, further compliance therewith may be waived, with the consent of the Republic, and the holders of at least 75% of the aggregate principal amount of the outstanding debt securities of all series that would be affected by that Reserved Matter Modification (taken in aggregate), *provided* that the Uniformly Applicable condition is satisfied.

Any such proposed Reserved Matter Modification may be made in respect of some series of debt securities only and may be used for different groups of two or more series of debt securities, containing multiple series modification provisions substantially in the same form as in the Indenture, simultaneously.

The "Uniformly Applicable" condition will be satisfied if:

(a) the holders of all the affected series of debt securities are invited to exchange, convert, or substitute their debt securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

(b) amendments proposed to the terms and conditions of each affected series of debt securities would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance),

and, for the purposes of establishing whether the Uniformly Applicable condition has been satisfied:

(c) the "same terms" is to be construed as meaning the same offer on principal, the same offer on all interest accrued but unpaid prior to an exchange or event of default and the same offer on past due

interest (or other relevant financial features of the applicable debt securities), but any such offer may contain differences as between different series of affected debt securities which are necessary having regard to the currency of denomination; and

(d) the Republic shall promptly furnish one or more officer's certificate(s) to the Trustee, certifying that the Uniformly Applicable condition has been satisfied, and the Trustee shall be entitled to accept such officer's certificate(s) as conclusive evidence of the facts therein set forth.

Unless the Guarantee has been terminated and there are no amounts in the Guarantee Escrow Account, no Reserved Matter Modification to the Notes (other than a Reserved Matter Modification that does not impact the Guarantee) may be made unless all other series of debt securities that would be affected by that Reserved Matter Modification benefit from a guarantee (including a partial credit guarantee) from either the Guarantor or another multilateral institution with at least the same credit rating as the Guarantor.

Any debt securities owned or controlled, directly or indirectly, by the Republic or any Public Sector Instrumentality, which would be disregarded for the purposes of a vote (or written action) under the series of debt securities of which they form part, shall also be disregarded for the purposes of this calculation.

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes, the Republic may appoint a calculation agent (the "Calculation Agent"). The Republic shall, with the approval of the Calculation Agent, promulgate the methodology in accordance with which the par value of the Notes and such affected series of debt securities will be calculated. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities. If any series of affected debt securities are denominated in a currency other than U.S. dollars, the Republic shall appoint a single Calculation Agent who shall specify a commercially reasonable method for determining the U.S. dollar equivalent of such debt securities for purposes of voting.

The Republic shall appoint an Aggregation Agent (who may also be the Calculation Agent), which shall be independent of the Republic, to calculate whether a Reserved Matter Modification has been approved by the required principal amount of the outstanding debt securities of the affected series of debt securities.

If any Reserved Matter Modification is sought in the context of a simultaneous offer to exchange the Notes for new debt instruments of Ecuador or any other person, Ecuador shall ensure that the relevant provisions of the Notes, as amended by such Modification, are no less favorable to the Notes than the provisions of the new instrument being offered in the exchange, or if more than one debt instrument is offered, no less favorable than the new debt instrument issued having the largest aggregate principal amount.

Ecuador agrees that it will not issue new Notes with the intention of placing such Notes with holders expected to support any Modification proposed by Ecuador (or that Ecuador plans to propose) for approval pursuant to the Modification provisions of the Indenture or of the terms and conditions of the Notes.

Any Modification consented to or approved by the holders of the Notes pursuant to the Modification provisions of the Indenture or of the terms and conditions of the Notes will be conclusive and binding on all holders of the Notes, whether or not they have given such consent or were present at a meeting of holders at which such action was taken, and on all future holders of the Notes (whether or not notation of such Modification is made upon the Notes). Any instrument given by or on behalf of any holder of a Note in connection with any consent to or approval of any such Modification will be conclusive and binding on all subsequent holders of such Note.

Before seeking the consent of any holder of a Note to a Reserved Matter Modification, Ecuador will provide the Trustee (for onward distribution to the holders of the Notes) the following information:

- a description of the economic or financial circumstances that, in Ecuador's view, explain the request for the proposed Reserved Matter Modification;

- if Ecuador has entered into a standby, extended funds or similar program with the IMF, CAF, FLAR, or IDB, a copy of that program (including any related technical memorandum);

- a description of Ecuador's proposed treatment of its other major creditor groups (including, where appropriate, Paris Club creditors, other bilateral creditors and internal debt holders) in connection with Ecuador's efforts to address the situation giving rise to the requested Reserved Matter Modification; and

- if any proposed Reserved Matter Modification contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group.

For purposes of determining whether the required percentage of holders has consented to or voted in favor of any Modification, any Notes owned or controlled, directly or indirectly, by Ecuador or any Public Sector Instrumentality, as defined under "*—Certain Defined Terms*" below, shall be disregarded and deemed not to be outstanding. In determining whether the Trustee shall be protected in relying upon any Modification, only Notes that a Responsible Officer (as defined in the Indenture) of the Trustee knows to be so owned shall be so disregarded. Upon request of the Trustee, Ecuador shall deliver to the Trustee a certificate signed by an authorized representative of Ecuador listing all Notes, if any, known by Ecuador to be owned or held by or for the account of Ecuador or any Public Sector Instrumentality.

Ecuador and the Trustee may, without the vote or consent of any holder of the Notes (but with the consent of the Guarantor to the extent it is required), amend the Notes or the Indenture for the purpose of:

- adding to Ecuador's covenants for the benefit of the holders of the Notes;

- surrendering any of Ecuador's rights or powers;

- curing any ambiguity, or curing, correcting or supplementing any proven error in the terms and conditions of the Notes or in the Indenture;

- making any formal, minor or technical change; or

- amending the terms and conditions of the Notes or the Indenture in any manner which Ecuador and the Trustee may determine shall not adversely affect the interests of any holder of the Notes.

The Notes will clear and settle through Euroclear and Clearstream and will be issued in global book-entry form and registered in the nominee name of a common depositary for Euroclear and Clearstream. Beneficial interests in the Notes may be held through Euroclear and Clearstream and their direct and indirect participants. See "*Book-Entry Settlement and Clearance*" for a description of the procedures applicable to book-entry securities.

Definitive Notes

Any holder of the Notes or a party authorized or instructed to act on its behalf (along with providing evidence satisfactory to the Trustee of its authority or instruction) at any time may request that some or all of their interest in the Notes in global form be converted into Notes in definitive form. Any Notes in definitive form will not (except in limited circumstances) benefit from the Guarantee. Accordingly, the Republic will pre-execute 25 Definitive Notes on the issue date and deposit the Pre-Executed Definitive Notes with the Trustee. Whenever Notes in definitive form are required to be issued and delivered in accordance with the terms of the Indenture, the Trustee may authenticate one or more Pre-Executed Definitive Notes for such purpose (or, if the Trustee is not holding any Pre-Executed Definitive Notes at the relevant time, the Republic will be required to execute such Notes in definitive form as are required in accordance with the terms of the Indenture).

Except for the circumstance described above in relation to Pre-Executed Definitive Notes, Ecuador will issue all (and not some only) of the Notes in definitive form (i.e. not in book-entry but physical form) if, among other:

- the depositary for the Notes notifies Ecuador that it is unwilling or unable to continue as depositary, is ineligible to act as depositary or, ceases to be a clearing agency registered under the US Securities Exchange Act of 1934, as amended and Ecuador does not appoint a successor depositary or clearing agency within 90 days;

- the Trustee has instituted or been directed in writing by the requisite holders to institute any judicial proceeding to enforce the rights of the holders under the Notes and has been advised by its legal counsel that it should obtain possession of the Notes for purposes of the proceeding; or

- certain other events provided in the Indenture occur.

In the event Ecuador issues Notes in definitive form, the beneficial owners receiving those Notes should review their terms and conditions, and in particular the restrictions on transfers of the Notes, set forth in the Note certificates.

Trustee, Paying Agent and Account Bank, Listing Agent; Transfer Agents; Registrar

The Trustee will serve as the registrar, The Bank of New York Mellon, London Branch will serve as the Paying Agent and account bank. The Republic, acting for the exclusive benefit of the holders of the Notes, may also appoint additional paying agents in London, England for the purpose of facilitating Ecuador's payment of amounts due on the Notes. Ecuador may at any time instruct the Trustee to terminate the appointment of any paying agent and instruct the Trustee to appoint other paying agents. Any resignation or removal of the Trustee and any appointment of a successor trustee shall become effective upon acceptance of appointment by the successor trustee, appointed with prior written consent of the IDB, such consent not to be unreasonably withheld. With respect to the Notes, so long as any of the Notes remain outstanding, there shall be maintained, at Ecuador's expense, (1) in London, England in an office or agency where the Notes may be presented for payment, (2) in New York, New York in an office or agency where the Notes may be presented for exchange, transfer and registration of transfer as provided in the Indenture and, (3) in New York, New York, an office or agency where notices and demands in respect of the Notes or the Indenture may be served. If the Notes are listed on the Luxembourg Stock Exchange (and, if applicable, traded on the Euro MTF market of the Luxembourg Stock Exchange) and the Luxembourg Stock Exchange so requires, the Trustee shall also maintain a paying agent in Luxembourg for the Notes. A paying agent will also be maintained in a Member State of the European Union that is not obliged to deduct or withhold tax pursuant to European Council Directive 2003/48/EC (as amended from time to time) or any other European Council Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to, conform to such Directive. In addition, so long as the Notes are listed on the Luxembourg Stock Exchange and trade on the Euro MTF Market, to the extent that the rules of such exchange so require, a paying agent and a transfer agent will be maintained in Luxembourg. Ecuador will provide prompt notice of the termination, appointment or change in the office of any paying agent, transfer agent or registrar acting in connection with the Notes.

Notices

All notices to the holders of Notes will be published in the Wall Street Journal of New York, New York, the Financial Times of London, England and the Luxemburger Wort of Luxembourg, or, if and so long as the Notes are listed on the Luxembourg Stock Exchange (and, if applicable, traded on the Euro MTF Market of the Luxembourg Stock Exchange), published in accordance with the rules of the Luxembourg Stock Exchange or on the website of the Luxembourg Stock Exchange at www.bourse.lu. If any of such newspapers shall cease to be published, the Trustee, upon consultation with Ecuador, will substitute for it another newspaper customarily published in New York, London or Luxembourg, as the case may be. If, because of temporary suspension of publication or general circulation of any newspaper or for any other reason, it is impossible or, in the opinion of the

Trustee upon consultation with Ecuador, impracticable or, in the opinion of the Trustee upon consultation with Ecuador, impracticable to make any publication of any notice in the manner provided above, any other publication or other notice in lieu thereof which is made with the approval of the Trustee shall constitute a sufficient publication of such notice. Notices shall be deemed to have been given on the date of publication or, if published on different dates, on the date of the first such publication. Notices will also be delivered to holders at their registered addresses. Notices to holders of Notes shall be sent in accordance with the Depositary's standard procedures.

So long as a clearing system, or its nominee, is the registered holder of a global note, each person owning a beneficial interest in that global note must rely on the procedures of that clearing system to receive notices in connection with the Notes. Each person owning a beneficial interest in a global note who is not a direct participant in a clearing system must rely on the procedures of the participant through which the person owns its interest in the global note to receive notices provided to the clearing system. Ecuador will consider mailed notice to have been given three Business Days after it has been sent.

Submission to Arbitration

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

(i) There will be three arbitrators.

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

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

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

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

(d) The language to be used in the arbitration will be English. The arbitration provisions of the Indenture will be governed by English law.

(e) Without prejudice to any other mode of service allowed by law, the Republic thereby appoints Law Debenture Corporate Services Limited as its agent under the Indenture and the Notes for service of process in relation to any proceedings before the English courts in relation to any arbitration contemplated by the Indenture or in relation to recognition or enforcement of any such arbitral award obtained in accordance with the Indenture.

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

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

Any Dispute between the Trustee and any Holders or Holders only, and where neither the Republic nor the Guarantor is a party, claimant, respondent or otherwise is necessary thereto, will be subject to the non-exclusive jurisdiction of any New York state or United States federal court sitting in the Borough of Manhattan, the City of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to the Indenture (except actions or proceedings arising under or in connection with U.S. federal and state securities laws), and the Trustee and the holders of the Notes hereby irrevocably submit to such jurisdiction and agree that all claims in respect of such Dispute may be heard and determined in such New York state or United States federal court.

The Indenture contains also a provision which provides that in relation to any Dispute under the Indenture involving the IDB, the provisions of Sections 3.02(b), (c), (d) & (e), 3.04, 3.05 and 3.06 of the Guarantee Agreement will apply, *mutatis mutandis*, as if set out therein. See "*Annex A—The Guarantee Agreement*".

Sovereign Immunity

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

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

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

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

(d) the Republic submits to the jurisdiction of the English courts in connection with any proceeding invoking the supervisory jurisdiction of those courts in relation to an arbitration conducted pursuant to the Indenture.

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

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

An arbitral award obtained in accordance with the Indenture or the Notes will be conclusive and may be enforced in any jurisdiction in accordance with the New York Convention or in any other manner provided for by law.

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

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

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

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

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

(e) funds managed in the national Treasury Account;

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

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

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

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

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

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

Indemnity

The Republic will indemnify the holders of the Notes and pay the Trustee on demand for the benefit of the holders of the Notes any attached amounts plus any accrued amounts to the date of payment at the interest rate set forth in the Notes in the event the Trustee or Paying Agent fails (without negligence or willful misconduct) to pay some or all of those amounts to the depositary for credit to the holders of the Notes because those funds are attached by one or more holders of Excluded Indebtedness prior to the receipt of such funds by the depositary or because any Trustee or Paying Agent is otherwise restrained or prevented from transferring the funds to the depositary as a result of legal action taken by one or more holders of Excluded Indebtedness.

Transfer Restrictions

The Notes have not been and will not be registered under the Securities Act, and will be subject to restrictions on transferability and resale. See "*Transfer Restrictions*".

Governing Law

The Notes and the Indenture will be governed by the laws of the State of New York, except for those parts concerning submissions to arbitration, which shall be governed by English law.

Judgment Currency

U.S. dollars are the sole currency of account and payment for all sums due and payable by each of Ecuador and the IDB under the Indenture, the Guarantee and the Notes. If, for the purpose of obtaining judgment in any court or arbitral proceeding, it is necessary to convert a sum due hereunder in U.S. dollars into another currency, each of Ecuador and the Guarantor will agree, to the fullest extent that they may legally and effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures a person could purchase U.S. dollars with such other currency in New York, New York, on the Business Day immediately preceding the day on which final judgment is given.

The obligation of each of Ecuador and the Guarantor in respect of any sum due to any holder of the Notes, agent or the Trustee in U.S. dollars shall, to the extent permitted by applicable law, notwithstanding any judgment in a currency other than U.S. dollars be discharged only to the extent that on the Business Day following receipt of any sum adjudged to be so due in the judgment currency such holder of the Notes, agent or Trustee may in accordance with normal banking procedures purchase U.S. dollars in the amount originally due to such person with the judgment currency. If the amount of U.S. dollars so purchased is less than the sum originally due to such person, each of Ecuador and the Guarantor agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such person against the resulting loss; and if the amount of U.S. dollars so purchased is greater than the sum originally due to such person, such person will, by accepting a Note, be deemed to have agreed to repay such excess.

Benefit of the Guarantee

The benefit of the Guarantee is held by the Trustee, on behalf of the Guaranteed Holders. The initial Guaranteed Holders shall be all Holders that hold a beneficial interest in the Notes in global form (*pro rata* in proportion to their holdings, up to the Maximum Guaranteed Amount). As such, Holders of Definitive Notes shall not benefit from the Guarantee, unless, in accordance with section 3.09 of the Guarantee Agreement, all of the Notes (and not some only) are to be represented by Definitive Notes due to the occurrence of any event in section 2.6(e) of the Indenture (such that no Notes will continue to be represented by the Global Notes). In such case: (i) the Trustee shall give notice to each Holder of the Notes that was a Guaranteed Holder immediately prior to the occurrence of the relevant event in section 2.6(e) of the Indenture, confirming that such Holder's Notes shall be represented by Definitive Notes and that the Trustee shall update the Register to reflect which Definitive Notes shall benefit from the Guarantee (the "Guaranteed Definitive Notes"); (ii) from the date on which all Notes are represented by Definitive Notes due to the occurrence of the relevant event in section 2.6(e) of the Indenture (the "Definitive Notes Event Date"), the Holders of the Guaranteed Definitive Notes from time to time shall be Guaranteed Holders for the purposes of such definition in both the Indenture and the Guarantee; and (iii) the Trustee shall promptly inform the Guarantor: (a) that all of the Notes are represented by Definitive Notes due to the occurrence of an event in section 2.6(e); (b) of the names of the initial Holders of the Guaranteed Definitive Notes (with such Holders being the Guaranteed Holders as of such date); and (c) that the Guaranteed Holders shall, from the Definitive Notes Event Date, be the Holders of Guaranteed Definitive Notes from time to time. If the Republic fails to make payment of a Scheduled Payment Amount on its originally scheduled payment date, leading to an event of default under paragraph 8(a) of the Terms (including the expiration of any grace period applicable to such non-payment), then the Trustee may deliver a Demand Notice under and in accordance with the terms of the Guarantee at the direction of the Guaranteed Holders. Following receipt of a valid Demand Notice, the Guarantor shall deposit the Guarantee Payment requested in such Demand Notice into the Collection Account, with payment of such amount being to the Trustee (on behalf of the Guaranteed Holders), within 14 Business Days of the date on which it received such Demand Notice.

The Guarantee is issued by the Guarantor and will not be the obligation of any government or nation state that is a member of the IDB. No such government or nation state will be responsible for payments under the Guarantee or liable to the Trustee or to any Person in case of a Guarantor Event of Default.

Purchase of Notes by the Guarantor

(a) Pursuant to section 2.11 of the Guarantee Agreement, if an Event of Default occurs and is continuing, at any time between the date on which such Event of Default occurs and the date that is six (6) months therefrom (the "RTP Period"), the Guarantor shall have the right to purchase (and RTP Subject Notes Holders (as defined below) shall have the obligation to sell) the RTP Subject Notes (as defined below and as determined in accordance with paragraph (c) below) to the Guarantor for a price equal to par plus any interest accrued on such RTP Subject Notes, in an amount equal to the Maximum Guaranteed Amount (the "IDB Right to Purchase").

(b) In the event the Guarantor elects to exercise the IDB Right to Purchase, it shall provide the Trustee with an irrevocable written notice of exercise no later than the last Business Day of the RTP Period (an "RTP Exercise Notice"). The RTP Exercise Notice shall include the following information:

(i) the Event of Default pursuant to which the Guarantor is exercising the IDB Right to Purchase;

(ii) the date of occurrence of such Event of Default;

(iii) the Maximum Guaranteed Amount as of the date of the RTP Exercise Notice;

(iv) a calculation setting forth the total principal amount of the Notes to be purchased at par (the "RTP Subject Notes"), and the total amount of interest accrued in respect of such RTP Subject Notes, the sum of which shall be equal to the Maximum Guaranteed Amount; and

(v) the date on which, pursuant to the IDB Right to Purchase, the RTP Subject Notes Holders shall deliver their RTP Subject Notes (the "RTP Settlement Date"), provided that the RTP Settlement Date shall be no earlier than ten (10) Business Days and no later than thirty (30) days from the date of delivery of the RTP Exercise Notice.

(c) Upon receipt of an RTP Exercise Notice, the Trustee shall promptly give the Holders written notice thereof, including the principal amount of the RTP Subject Notes (the "RTP Principal Amount") to be transferred to the Guarantor, as set out in the RTP Exercise Notice. In terms of the Trustee determining which Notes shall comprise the RTP Subject Notes, if the principal amount of Notes held by Guaranteed Holders is:

(i) equal to the RTP Principal Amount, then all of the Notes held by Guaranteed Holders shall comprise the RTP Subject Notes;

(ii) greater than the RTP Principal Amount, then the RTP Subject Notes shall be selected in accordance with the applicable Depository's procedures and if the Notes are all held in physical form, the Trustee shall select a pro rata proportion of the Notes (across all such Notes) held by Guaranteed Holders to comprise the RTP Subject Notes so that the principal amount of such selected RTP Subject Notes is equal to the RTP Principal Amount; and

(iii) less than the RTP Principal Amount, then:

(A) all of the Notes held by Guaranteed Holders shall comprise the RTP Subject Notes (the "Guaranteed Holders RTP Subject Notes"); and

(B) the Trustee shall select a pro rata proportion of the remaining Notes (that are not held by Guaranteed Holders) across all such Notes to also comprise the RTP Subject Notes (such selected Notes, the "Other Holders RTP Subject Notes") so that the sum of the principal amounts of the Guaranteed Holders RTP Subject Notes and the Other Holders RTP Subject Notes is equal to the RTP Principal Amount,

and the Trustee shall promptly notify all Holders as to which Notes have been selected to comprise the RTP Subject Notes in accordance with this paragraph (c) (with the Holders of the RTP Subject Notes so selected in accordance with this paragraph (c) being the "RTP Subject Notes Holders").

(d) No later than 2:00 p.m., New York time on the RTP Settlement Date, (i) the RTP Subject Notes Holders (as defined below) (or, in the case of any RTP Subject Notes which are Definitive Notes, the Trustee as custodian of such RTP Subject Notes on behalf of, and at the request of, the relevant RTP Subject Notes Holders) shall transfer to the Guarantor the RTP Subject Notes determined in accordance with paragraph (c) above, and (ii) the Guarantor shall transfer to the Collection Account, for the benefit of the RTP Subject Notes Holders holding RTP Subject Notes, an amount equal to the Maximum Guaranteed Amount. To the extent required, any holder of RTP Subject Notes shall be required to deliver the proportion of their Notes that are RTP Subject Notes to the Trustee not later than 2:00 p.m., New York time on the Business Day prior to the RTP Settlement Date. Following the deposit of an amount equal to the Maximum Guaranteed Amount in the Collection Account, the Paying Agent will promptly pay such amount to the RTP Subject Notes Holders relative to the proportion of their RTP Subject Notes (in accordance with any direction from the IDB).

(e) Upon transfer of the Maximum Guaranteed Amount to the Collection Account on the RTP Settlement Date, the Maximum Guaranteed Amount will be automatically reduced to U.S.$0.

Certain Defined Terms

The following are certain definitions used in the Notes:

- "Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in London, the City of New York or Quito, Ecuador (or in the city where the relevant paying or transfer agent is located) are required or authorized by law to be closed.

- “Collection Account” shall have the meaning set forth in the Guarantee Agreement.

- "Early Disbursement Event" means any of the following events occurring: (i) the Republic does not pay (directly or indirectly) any amounts owed by the Republic to the Guarantor under the Counter-Guarantee Agreement, provided that any such delay has not been cured within sixty (60) days; (ii) the Guarantor determines in its sole discretion in accordance with its sanctions procedures that any employee, agent or representative of the Republic has, in connection with the implementation of the Program engaged in fraudulent, corrupt, coercive or collusive practices; (iii) the Guarantor determines in its sole discretion that (x) any employee, agent or representative of the Republic has breached the Guarantor’s environmental and social policies, as such policies are reflected in the ROP, and (y) corrective action plans in relation to such breaches have not been implemented in a reasonable time; or to the satisfaction of the Guarantor; (iv) the Guarantor determines in its sole discretion that the Republic has breached one or more obligations set forth in the Counter-Guarantee Agreement or the ROP; or (v) withdrawal or suspension of the Republic from membership in the Guarantor, provided this circumstance continues for more than sixty (60) days.

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

- "Excluded Indebtedness" means the following series of securities issued by the Republic:

  (i) the 12% U.S. dollar Denominated Global Bonds due 2012; and

  (ii) the U.S. dollar Denominated Step-up Global Bonds due 2030.

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

- "Guarantee Escrow Account" means the escrow account in New York created in the name of the Escrow Agent, for the benefit of the Guaranteed Holders, pursuant to the Escrow Agreement.

- "Guarantee Termination Event" means:

  (i) the Holders or the Trustee (at the direction of the Holders under the Indenture) make any amendment, modification or waiver of the Guarantee, the provisions of the Notes and/or the Indenture which adversely affects the rights and the obligations of the Guarantor, or give any written waiver or consent with respect thereto, without the Guarantor's prior written consent (with such written consent not to be unreasonably withheld and to be deemed given by the Guarantor after ten (10) Business Days of such written consent being sought);

  (ii) an Early Disbursement Event occurs and the Guarantor has deposited the Maximum Guaranteed Amount into the Guarantee Escrow Account in accordance with the terms of the Partial Credit Guarantee; or

  (iii) the Trustee assigns any of its rights and obligations under the Indenture or the Guarantee, which affect the rights and obligations of the Guarantor under the Guarantee or the provisions of the Notes, without the prior written consent of the Guarantor (with such written consent not to be unreasonably withheld and to be deemed given by the Guarantor after ten (10) Business Days of such written consent being sought), *provided* that no consent of the Guarantor shall be required (and no Guarantee Termination Event shall occur) in connection with any assignment to an Approved Assignee (as defined in the Guarantee Agreement, see "*Annex A*"), the appointment of a successor Trustee pursuant to the Indenture or any assignment in accordance with section 3.09 of the Partial Credit Guarantee.

- "Guaranteed Holders" means, from time to time but subject to section 2.9 (*Change of Guaranteed Holders under Partial Credit Guarantee*) of the Indenture (which provides for limited circumstances where the Trustee shall direct otherwise), Holders that hold a beneficial interest in the Notes in the form of Global Notes.

- "Indebtedness" means for any person (a) all indebtedness of or guaranteed by such person for or in connection with borrowed money, and (b) all obligations of or guaranteed by such person (other than those specified in clause (a) above) evidenced by debt securities, debentures, Notes or other similar instruments; *provided* that Indebtedness shall not include commercial agreements not having the commercial effect of a borrowing.

- "Lien" means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or other preferential arrangement having the practical effect of constituting a security interest.

- "Majority" means greater than 50%.

- "Maximum Guaranteed Amount" means, as of any date of determination, an amount equal to the lower of (a) U.S.$300,000,000, minus the aggregate of all Guarantee Payments paid as of such date of determination; and (b) the Maximum Guaranteed Notes Amount, *provided* that following the Guarantor's exercise of the IDB Right to Purchase pursuant to (and in accordance with the terms of) section 2.11 of the Guarantee Agreement, the Maximum Guaranteed Amount shall equal U.S.$0.

- "Modification" means any modification, amendment, supplement, request, demand, authorization, direction, notice, consent, waiver (other than a waiver of an event of default that is waived by the majority of the holders as set forth under "—*Events of Default*" above), or other action provided by the Indenture or the terms and conditions of the Notes.

- "Non-Reserved Matter" means any Modification other than a Modification constituting a Reserved Matter.

- "Project Financing" means any financing of all or part of the costs of the acquisition, construction or development of any properties in connection with a project if the person or persons providing such financing expressly agree to look to the properties financed and the revenues to be generated by the operation of, or loss of or damage to, such properties as the principal source of repayment for the moneys advanced.

- "Public Sector Instrumentality" means the Central Bank, any department, ministry or agency of the Government or any corporation, trust, financial institution or other entity owned or controlled by the Government or any of the foregoing. For purposes of the foregoing, "control" means the power, directly or indirectly, through the ownership of voting securities or other ownership interest 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 a corporation, trust, financial institution or other entity.

- "Reserved Matter" means any Modification that would:

  A. change the due date for the payment of the principal of (or premium, if any) or any installment of interest on the Notes;

  B. reduce the principal amount of the Notes, the portion of such principal amount which is payable upon acceleration of the maturity of the Notes, the interest rate on the Notes or the premium payable upon redemption of the Notes;

  C. change the coin or currency in which payment of interest, premium or principal in respect of the Notes is payable and the place where such payment must be made;

  D. reduce the proportion of the principal amount of the Notes the vote or consent of the holders of which is necessary to make any Modification to or with respect to the terms and conditions of the debt securities of one or more series or the Indenture, or change the definition of "Outstanding" under the Notes;

  E. change Ecuador's obligation to pay Additional Amounts on the Notes;

  F. change the governing law provision of the Notes;

  G. change the arbitral forum to which the Republic has submitted, the Republic's scope of immunity provision, the scope of the Republic's indemnity in paragraph 25 (*Indemnity*) of the Terms, or the Republic's appointment of the Process Agent without appointing a substitute

process agent in London, in respect of actions or proceedings brought by any holder based upon the Notes;

H. change the seniority of the Notes or the Guarantee;

I. authorize and/or instruct the Trustee, on behalf of all holders, to exchange or substitute all their Notes for, or convert all their Notes into, other obligations or securities of the Republic or any other person;

J. amend the terms of the Guarantee Agreement, including (but not limited to) the level of coverage that it provides, or release or extinguish the rights and/or obligations under the Guarantee Agreement (except in accordance with the Indenture); or

K. change the definition of "Uniformly Applicable" or "Reserved Matter."

- "Scheduled Payment Amounts" means the amount of principal and/or interest on the Notes originally payable on each payment date (without regard for any acceleration of the Notes).

Registration and Book-Entry System

Ecuador may issue the Notes in whole or in part in the form of one or more global notes, the ownership and transfer of which are recorded in computerized book-entry accounts, eliminating the need for physical movement of Notes. Ecuador refers to the intangible Notes represented by a global note as "book-entry" Notes.

Ecuador will deposit any global note it issues with the common depositary of the clearing system. The global note will be registered in the name of the nominee of the common depositary. Unless a global note is exchanged for definitive Notes, discussed above under "*—Definitive Notes*," it may not be transferred, except among the clearing system, its nominees or common depositaries and their successors. Clearing systems include Euroclear and Clearstream in Europe.

Clearing systems process the clearance and settlement of book-entry securities for their direct participants. A "direct participant" is a bank or financial institution that has an account with a clearing system. The clearing systems act only on behalf of their direct participants, who in turn act on behalf of indirect participants. An "indirect participant" is a bank or financial institution that gains access to a clearing system by clearing through or maintaining a relationship with a direct participant.

Euroclear and Clearstream are connected to each other by a direct link.

Ecuador, the Trustee and any Paying Agent will treat the registered holder of a global note as the absolute owner of the note for all purposes. The legal obligations of Ecuador, the Trustee, and any agent run only to the registered owner of a global note, which will be the relevant clearing system or the nominee of the common depositary. For example, once Ecuador arranges for payments to be made to the registered holder, Ecuador will no longer be liable for the amounts so paid on the note. In addition, if you own a beneficial interest in a global note, you must rely on the procedures of the institutions through which you hold your interests in the note (including Euroclear, Clearstream, and their participants) to exercise any of the rights granted to the holder of the note. Under existing industry practice, if you desire to take any action that the holder of a note is entitled to take, then the registered holder would authorize the clearing system participant through which you own your beneficial interest to take the action, and the participant would then either authorize you to take the action or act for you on your instructions.

THE GUARANTEE AGREEMENT

The Notes will be partially guaranteed by the Guarantee. The form of Guarantee is reproduced in its entirety on Annex A hereto . You should read the Guarantee before making your investment decision.

SUMMARY OF THE GUARANTEE ESCROW AGREEMENT

Terms of the Guarantee Escrow Agreement

The Trustee will enter into an escrow agreement (the "Guarantee Escrow Agreement") with the IDB as depositor and The Bank of New York Mellon as escrow agent (the "Escrow Agent"). Under the Guarantee Escrow Agreement, IDB will deposit the Maximum Guaranteed Amount into the Guarantee Escrow Account upon the occurrence of an Early Disbursement Event.

Distribution of Escrow Property

Following the occurrence of an Early Disbursement Event which results in IDB depositing the Maximum Guaranteed Amount into the Guarantee Escrow Account, the Trustee shall submit notices in writing (any such notice, an "Escrow Account Demand Notice"), to the Escrow Agent, at the same times and in accordance with the same terms as when a Demand Notice could be submitted under the Guarantee Agreement. The amount validly demanded in an Escrow Account Demand Notice is an "Escrow Payment". In respect of any Escrow Account Demand Notice, the Escrow Agent shall make the requested Escrow Payment by depositing an amount in U.S. Dollars equal to such Escrow Payment in the Collection Account no later than thirty (30) days from the receipt of such Escrow Account Demand Notice. Any payments of Escrow Payments to the Trustee shall be applied by the Trustee in the same manner as it would apply Guarantee Payments in accordance with the terms of the Indenture.

Investment and Reinvestment of Escrow Property

The Escrow Property will be invested and reinvested by the Escrow Agent in Permitted Investments.

Applicable Law and Arbitration

The Guarantee Escrow Agreement will be governed by the laws of the State of New York of the United States of America and will contain arbitration provisions that are substantially the same as those in the Indenture.

SUMMARY OF THE COUNTER-GUARANTEE AGREEMENT

Terms of the Counter-Guarantee Agreement

Ecuador has entered into a separate counter-guarantee agreement (the "Counter-Guarantee Agreement") with the IDB. Under the Counter-Guarantee Agreement, Ecuador, as counter-guarantor, undertakes to reimburse, indemnify and hold harmless the IDB (as described below) for any payment made by the IDB under the Guarantee Agreement.

Ecuador's Representations, Warranties and Covenants under the Counter-Guarantee Agreement

The Counter-Guarantee Agreement contains usual and customary representations, warranties and covenants for transactions of this type, including that Ecuador has not engaged in and is not engaging in fraudulent, corrupt, coercive or collusive practices in connection with this transaction and that the Republic will implement the social housing program in accordance with the Counter-Guarantee Agreement, including reporting obligations, the ROP and all applicable IDB policies, including social and environmental safeguards.

If at any time between the Effective Date and the Termination Date of the Guarantee, the IDB determines that an Early Disbursement Event has occurred, then the IDB will be entitled to deposit the Maximum Guaranteed Amount into the Guarantee Escrow Account and terminate the Guarantee. Such deposit of the Maximum Guaranteed Amount by the IDB will constitute a payment by the IDB under the Guarantee Agreement for purposes of IDB's reimbursement rights against Ecuador under the Counter-Guarantee Agreement.

Repayment Terms

Any payment made by the IDB under the terms of the Guarantee Agreement will be deemed a loan to Ecuador (a "Deemed IDB Loan"), which will accrue interest subject to a prevailing IDB sovereign lending rate. Ecuador will be required to repay any payment made by the IDB under the Guarantee within 180 days from the date of such payment (or as otherwise agreed by the Republic and IDB).

In the event that Ecuador fails to make any payment to or to reimburse and/or indemnify the IDB under the Counter-Guarantee Agreement or otherwise defaults on its obligations under the Counter-Guarantee Agreement, the IDB will be entitled, in addition to any other rights and remedies it may have, to suspend in whole or in part Ecuador's right to make withdrawals under any loan or guarantee between the IDB and Ecuador and to cancel and declare the outstanding principal and interest of any such loan due and payable immediately if such failure to make any payment is not cured within 60 days.

Applicable Law and Arbitration

The Counter-Guarantee Agreement contains provisions which are customary in agreements between member countries and the IDB, including being subject to principles of international law and submission to international ad hoc arbitration in Washington, D.C.

PLACEMENT

[*Page intentionally left blank]*

[*Page intentionally left blank*]

TRANSFER RESTRICTIONS

[*Page intentionally left blank***]**

Book-Entry Settlement and Clearance

Global Notes

The Notes will initially be issued in the form of two registered Notes in global form (which the Republic refers 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 the Republic refers 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 the Republic refers to in this Offering Circular as the Regulation S Global Note).

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

Ownership of beneficial interests in each Global Note will be limited to persons who either have accounts with Euroclear (which the Republic refers to in this Offering Circular as the "Euroclear participants") or persons who have accounts with Clearstream (which the Republic refers to in this Offering Circular as the "Clearstream participants") or to persons who hold interests through Euroclear participants or Clearstream participants. The Republic expects that under procedures established by Euroclear:

- upon deposit of each Global Note with the common depositary, Euroclear or Clearstream will credit portions of the principal amount of the Global Note to the accounts of the Euroclear or Clearstream participant designated by the Sole Global Coordinator, Bookrunner and Social Bond Structuring Agent; and

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

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

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

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

Exchanges between the Global Notes

Beneficial interests in one Global Note may generally be exchanged for interests in another Global Note. 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 Republic or 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.

Book-Entry Procedures for the Global Notes

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

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

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

- will not be entitled to have Notes represented by the Global Note registered in their names;
- will not receive or be entitled to receive definitive notes; and
- will not be considered the owners or holders of the Notes under the Indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the Trustee under the Indenture.

As a result, each investor who owns a beneficial interest in a Global Note must rely on the procedures of Euroclear to exercise any rights of a holder of Notes under the Indenture (and, if the investor is not a participant or an indirect participant in Euroclear, on the procedures of the Euroclear participant through which the investor owns its interest in the Notes).

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

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

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

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

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

Definitive Notes

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

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

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

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

The Republic has pre-executed 25 blank Notes in definitive form ("Pre-Executed Definitive Notes") and delivered these to the Trustee on the Issue Date. Whenever Notes in definitive form are required to be issued and delivered in accordance with the terms of the Indenture, the Trustee may authenticate one or more Pre-Executed Definitive Notes for such purpose (or, if the Trustee is not holding any Pre-Executed Definitive Notes at the relevant time, the Republic will be required to execute such Notes in definitive form as are required in accordance with the terms of the Indenture).

TAXATION

Ecuador Taxation

The following is a general discussion of Ecuadorian tax considerations. The discussion is based upon the tax laws of the Republic as in effect on the date of this Offering Circular, which are subject to change. Prospective investors should consult their own tax advisers with respect to Ecuadorian 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, the Republic.

All payments of principal and interest for the Notes offered for sale pursuant to this Offering Circular and accepted by the Republic, and any gains made by a holder from such sale, will be exempt from any Ecuadorian income tax, including withholding tax, if the holder is a foreign holder, i.e.:

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

There are no Ecuadorian stamp, registration or similar taxes payable by a foreign holder in connection with offers or sales of Notes pursuant to this Offering Circular.

United States Federal Income Taxation

Generally

The following summary of certain material U.S. federal income tax consequences to original purchasers of the Notes of the purchase, ownership and disposition of the Notes is based upon existing U.S. federal income tax laws, which are subject to change, 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. 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.

This summary does not purport to discuss all aspects of U.S. federal income taxation that may be relevant to a particular investor in light of that investor's individual circumstances, such as investors whose functional currency is not the U.S. dollar or certain types of investors subject to special tax rules (*e.g.*, financial institutions, insurance companies, dealers in securities or currencies, certain securities traders, regulated investment companies, pension plans, tax-exempt organizations, investors holding Notes as a position in a "straddle," "conversion transaction," or "constructive sale" transaction, and accrual basis taxpayers subject to special tax accounting rules as a result of their use of financial statements). In addition, this summary does not discuss any non-U.S., state, or local tax considerations. This summary only applies to investors that hold Notes as "capital assets" (generally, property held for investment) within the meaning of the U.S. Internal Revenue Code of 1986, as amended (the "Code").

For purposes of this summary, the term "U.S. Holder" means a beneficial owner of a Note who is, for U.S. federal income tax purposes, an individual who is a citizen or resident of the United States, a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state of the United States or the District of Columbia, an estate whose income is subject to U.S. federal income tax regardless of its source or a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more "United States persons," as defined for U.S. federal income tax purposes, have the authority to control all substantial decisions of the trust or the trust was in existence on August 20, 1996 and has in effect a valid election to be treated as a United States person. If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. As used herein, the term "non-U.S. Holder" means a beneficial owner of a Note that is

neither a partnership (or other entity or arrangement treated as a partnership for U.S. federal income purposes) nor a U.S. Holder for U.S. federal income tax purposes.

Prospective purchasers of Notes should consult their own tax advisors concerning the U.S. federal income tax consequences of the purchase, ownership and disposition of Notes in light of their particular circumstances, as well as the effect of any relevant state, local, non-U.S. or other tax laws.

U.S. Holders

Payments of Interest and Additional Amounts

The Republic expects, and the remainder of this summary assumes, that the Notes will be issued at par or at a discount that is de minimis for U.S. federal income tax purposes. Accordingly, payments of interest on a Note generally will be taxable to a U.S. Holder as ordinary interest income at the time they are received or accrued, depending on the U.S. Holder's regular method of tax accounting. In addition to interest on a Note, a U.S. Holder generally will be required to include any tax withheld from the interest payment as ordinary interest income, even though such holder did not in fact receive it, and any Additional Amounts paid in respect of such tax withheld.

Interest (and any Additional Amounts) on the Notes will constitute income from sources outside the United States. Under the foreign tax credit rules, that interest generally will be classified as "passive category income" (or, in certain cases, as "general category income"), which may be relevant in computing the foreign tax credit allowable to a U.S. Holder under the U.S. federal income tax laws.

Prospective U.S. Holders of the Notes should consult their own tax advisors concerning the applicability of the foreign tax credit and source of income rules to interest (and any Additional Amounts) paid with respect to the Notes.

Sale, Exchange, Retirement or Other Taxable Disposition of a Note

A U.S. Holder generally will recognize gain or loss upon the sale, exchange, retirement or other taxable disposition of a Note (including payments as a result of an acceleration) in an amount equal to the difference between the amount realized upon that sale, exchange, retirement or other taxable disposition (other than amounts representing accrued and unpaid interest, which will be taxed as such to the extent not previously included in income) and the U.S. Holder's adjusted tax basis in the Note. The amount realized is the sum of cash plus the fair market value of any property received upon the sale, exchange, retirement or other taxable disposition of a Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the U.S. Holder's initial investment in the Note. Gain or loss generally will be capital, and will be long-term gain or loss if the Note is held for more than one year. Long-term capital gains are subject to preferential tax rates for certain non-corporate U.S. holders. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. Any capital gain or loss recognized on the sale, exchange, retirement or other taxable disposition of a Note generally will be treated as income or loss from sources within the United States for foreign tax credit limitation purposes. Therefore, U.S. Holders may not be able to claim a credit for any Ecuadorian tax imposed upon a disposition of a Note unless (subject to special limits) such holder has other income from foreign sources and certain other requirements are met.

Prospective U.S. Holders of the Notes should consult their own tax advisors concerning the U.S. federal income tax consequences of receiving any payments upon the sale, exchange, retirement or other taxable disposition of a Note that are made in a currency other than the U.S. dollar.

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% 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 U.S.$125,000 and U.S.$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 a Note, 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).

Information with Respect to Foreign Financial Assets

U.S. resident individuals and certain closely held corporations, partnerships and trusts that hold "specified foreign financial assets" with an aggregate value in excess of certain thresholds (which in the case of an unmarried individual will be U.S.$50,000 on the last day of the taxable year, or U.S.$75,000 at any time during the taxable year) generally will be required to file information reports with respect to such assets with their U.S. federal income tax returns. Depending on the holder's circumstances, higher threshold amounts may apply. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by certain financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in non-U.S. entities. The Notes may be treated as specified foreign financial assets and U.S. Holders may be subject to this information reporting regime. Failure to file information reports may subject U.S. Holders to penalties. U.S. Holders should consult their own tax advisors regarding their obligation to file information reports with respect to the Notes.

Non-U.S. Holders

Payments of Interest and Additional Amounts

Subject to the discussion below of backup withholding, payments of interest and any Additional Amounts on the Notes generally are not subject to U.S. federal income tax, including withholding tax, if paid to a "non-U.S. Holder", as defined above, unless the interest is effectively connected with such non-U.S. Holder's conduct of a trade or business within the United States (and, if an income tax treaty applies, the interest is attributable to a permanent establishment maintained by such non-U.S. Holder within the United States). In that case, the non-U.S. Holder generally will be subject to U.S. federal income tax in respect of such interest in the same manner as a U.S. Holder, as described above. A non-U.S. Holder that is a corporation may, in certain circumstances, also be subject to an additional "branch profits tax" in respect of any such effectively connected interest income currently imposed at a 30% rate (or, if attributable to a permanent establishment maintained by such non-U.S. Holder within the United States, a lower rate under an applicable tax treaty).

Sale, Exchange, Retirement or Other Taxable Disposition of a Note

Subject to the discussion below of backup withholding, a non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale, exchange, retirement or other taxable disposition of a Note unless: (1) the gain is effectively connected with the conduct by such non-U.S. Holder of a trade or business within the United States (and, if an income tax treaty applies, the gain is attributable to a permanent establishment maintained by such non-U.S. Holder within the United States), or (2) such non-U.S. Holder is a nonresident alien individual, who is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are met. Non-U.S. Holders who are described under (1) above generally will be subject to U.S. federal income tax on such gain in the same manner as a U.S. Holder and, if the non-U.S. Holder is a foreign corporation, such holder may also be subject to the branch profits tax as described above. Non-U.S. Holders described under (2) above generally will be subject to a flat 30% tax on the gain derived from the sale, exchange, retirement or other taxable disposition of Notes, which may be offset by certain U.S. capital losses (notwithstanding the fact that such holder is not considered a U.S. resident for U.S. federal income tax purposes).

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to payments of principal of and interest and any Additional Amounts on the Notes to non-corporate U.S. Holders 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 if a U.S. Holder fails to provide an accurate taxpayer identification number or, in the case of interest payments and the accrual of interest, fails to certify that it is not subject to backup withholding or is notified by the IRS that it has failed to report all interest and dividends required to be shown on its U.S. federal income tax returns.

Non-U.S. Holders are generally exempt from these withholding and reporting requirements (assuming that the gain or income is otherwise exempt from U.S. federal income tax), but such non-U.S. Holders may be required to comply with certification and identification procedures in order to prove their exemption. If a non-U.S. Holder holds a Note through a foreign partnership, these certification procedures would generally be applied to such holder as a partner. The payment of proceeds of a sale or redemption of Notes effected at the U.S. office of a broker generally will be subject to the information reporting and backup withholding rules, unless such non-U.S. Holder establishes an exemption. 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 to the contrary) or the holder or beneficial owner otherwise establishes an exemption.

As used herein, the term "U.S. Controlled Person" means a person who is for U.S. federal income tax purposes:

- a "United States person;"
- a controlled foreign corporation;
- a non-U.S. person 50% or more of whose gross income is derived for tax purposes from the conduct of a U.S. trade or business for a specified three-year period; or
- a non-U.S. partnership in which United States persons hold more than 50% of the income or capital interests or which is engaged in the conduct of 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 a holder of a Note generally will be allowed as a refund or a credit against the holder's U.S. federal income tax liability as long as the holder provides 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 the *Coordinador General Jurídico* of the Ministry of Economy and Finance of the Republic, Ecuadorian counsel to the Republic, and by Hogan Lovells US LLP, U.S. counsel to the Republic. The validity of the Notes will be passed upon on behalf of the Sole Global Coordinator, Bookrunner and Social Bond Structuring Agent by Clifford Chance US LLP, U.S. counsel to the Sole Global Coordinator, Bookrunner and Social Bond Structuring Agent and by Fabara & Compañía Abogados C.L., Ecuadorian counsel to the Sole Global Coordinator, Bookrunner and Social Bond Structuring Agent. The validity of the Guarantee will be passed upon on behalf of the IDB by Latham & Watkins LLP, counsel to the Guarantor.

As to all matters of Ecuadorian law, Hogan Lovells US LLP will rely on the opinion of the *Coordinador General Jurídico* of the Ministry of Economy and Finance of the Republic, and Clifford Chance US LLP will rely upon the opinion of Fabara & Compañía Abogados C.L.

In connection with the issuance of the Notes, the Attorney General will issue a "Pronouncement" in relation to each of the Indenture, the Purchase Agreement and the Notes which will constitute the required authorizations for the Ministry of Economy and Finance to be able to agree to the laws of the State of New York as the governing law of the Indenture, the Purchase Agreement and the Notes, as well as the submission to arbitration provisions set out therein.

Local counsel to the Sole Global Coordinator, Bookrunner and Social Bond Structuring Agent have confirmed that the provision of the legal opinion from the *Coordinador General Jurídico* of the Ministry of Economy and Finance and the Pronouncement are fully compliant from an Ecuadorian law perspective.

GENERAL INFORMATION

1. The Regulation S Global Notes and the Restricted Global Notes have been accepted for clearance and settlement through Euroclear and Clearstream, Luxembourg. The International Securities Identification Numbers for the Regulation S Global Notes and the Restricted Global Notes are XS2107382157 and XS2107382405, respectively.

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

3. The Republic has obtained all necessary consents, approvals and authorizations of the Republic in connection with the issue and performance of the Notes. The issue of the Notes was authorized by the Republic's Debt and Finance Committee under *Acta Resolutiva* No. 034-2019 dated December 5, 2019.

4. The IDB has obtained all necessary consents, approvals and authorizations in connection with the Guarantee. The Guarantee was authorized by Resolution of the IDB Board of Directors DE-111/18 dated December 6, 2018.

5. The Republic is involved in certain litigation and administrative arbitration proceedings. See "*Legal Proceedings*."

6. On November 28, 2017, Moody's Investors Service ("Moody's") affirmed the Republic's long-term Government bond ratings at "B3" with a "stable outlook." On September 30, 2017, Standard & Poor's Ratings Services ("S&P") affirmed the Republic's foreign long-term issuer rating at "B" with a "stable outlook." On June 29, 2017, S&P revised the Republic's foreign long-term issuer rating to "B-" and affirmed the "stable" rating outlook. On September 6, 2016, the Republic's long-term foreign currency issuer default rating by Fitch Ratings ("Fitch") was affirmed at "B," but the rating outlook was revised from "stable" to "negative." On September 13, 2017, Fitch affirmed the Republic's long-term foreign currency issuer default rating at "B" with a "negative" rating outlook. On August 17, 2018, Fitch downgraded the Republic's long-term foreign currency issuer default rating to "B-" from "B" and revised the rating outlook to "stable" from "negative." On December 12, 2018, Moody's changed the Republic's sovereign credit rating outlook from stable to negative. On January 10, 2019, Fitch changed the Republic's rating outlook to "negative" from "stable." On August 21, 2019, Fitch changed the Republic's rating outlook to "stable" from "negative."

7. The IDB is rated Aaa by Moody's and AAA by Standard&Poor's.

Ratings are not a recommendation to purchase, hold or sell securities and may be changed, suspended or withdrawn at any time. The Republic's current ratings and the rating outlooks currently assigned to the Republic are dependent upon economic conditions and other factors affecting credit risk that are outside the control of the Republic. Any adverse change in the Republic's credit ratings could adversely affect the trading price for the Notes. Each rating should be evaluated independently of the others. Detailed explanations of the ratings may be obtained from the rating agencies.

8. Application has been 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. So long as any of the Notes are listed on the Luxembourg Stock Exchange, the Republic will maintain a paying agent.

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

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

(b) this Offering Circular;

(c) the Guarantee;

(d) the Escrow Agreement;

(e) the 2008 Constitution, and the Legislative Decrees of the Republic referred to in paragraph 2 above (in Spanish);

(f) the Republic's consolidated public sector fiscal accounts for the last calendar year (as and when available in English);

(g) IDB's 2018 Information Statement (which includes IDB's audited annual financial statements as of and for the period ended December 31, 2018), the IDB's 2017 Information Statement (which includes the IDB's audited annual financial statements as of and for the period ended December 31, 2017) as of and for the period ended December 31, 2017, and any IBD's Management's Discussion and Analysis and Condensed Quarterly Financial Statements (unaudited), as of and for the years ended December 31, 2018, and December 31, 2017, filed by the IDB with the U.S. Securities Exchange Commission subsequent to the date of the 2018 Information Statement.

10. Other than as disclosed herein, including information that has been updated as of January 16, 2020, 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.

11. Save as disclosed in "*Legal Proceedings*," the Republic is not involved in any litigation or arbitration proceeding relating to claims or amounts which are material in the context of the issue of the Notes nor, as far as the Republic is aware, is any litigation pending or threatened.

Glossary of Defined Terms

ANNEX A

The Guarantee Agreement

Execution Version

PARTIAL CREDIT GUARANTEE

among

INTER-AMERICAN DEVELOPMENT BANK,

as Guarantor,

THE BANK OF NEW YORK MELLON,

as Trustee and Registrar, and

THE BANK OF NEW YORK MELLON, LONDON BRANCH,

as Paying Agent

Dated as of [January 30, 2020]

TABLE OF CONTENTS

This PARTIAL CREDIT GUARANTEE (this "**Guarantee**"), dated as of [January 30, 2020], is entered into by the INTER-AMERICAN DEVELOPMENT BANK, an international organization established by the Agreement Establishing the Inter-American Development Bank among its member countries (the "**Guarantor**"); THE BANK OF NEW YORK MELLON, not in its individual capacity but solely as Trustee and Registrar under the Indenture (as defined below); and THE BANK OF NEW YORK MELLON, LONDON BRANCH, as Paying Agent under the Indenture.

WHEREAS

(A) The Guarantor aims to enhance financing of sovereign loans and bonds through partial credit guarantees counter-guaranteed by the borrowing sovereign;

(B) The Republic of Ecuador (the "**Republic**") has asked for the assistance of the Guarantor in financing the Program to Finance Social Housing in Ecuador (EC-U0001) (the "**Program**");

(C) Pursuant to the Trust Indenture, dated as of [January 30, 2020], between, inter alia, the Republic, the Guarantor, the Trustee, the Registrar and the Paying Agent (the "**Indenture**"), the Republic will issue four hundred million U.S. Dollars (US$400,000,000) in aggregate principal amount of its 7.25% Fixed Rate Senior Partially Guaranteed Notes due 2035 (the "**Notes**"). The Notes will initially be issued in global form (such Notes while in global form being "**Global Notes**"), as specified in the Indenture and the Terms. Subsequently, any holder of an interest in Global Notes may exchange some or all of its interest in Global Notes for Notes in definitive form, in which case the principal amount of the Global Notes shall be written down by the Trustee and Notes in definitive form shall be issued (such Notes in definitive form being "**Definitive Notes**");

(D) The Guarantor has agreed to guarantee to the Trustee (for the benefit of the Guaranteed Holders), on the conditions set forth in this Guarantee, each payment of scheduled interest and scheduled principal on the Notes, up to the Maximum Guaranteed Amount (as defined below);

(E) The Guarantor and the Republic have entered into a Contract for Contingent Reimbursement (*Contrato de Reembolso por Contingencia*), dated as of December 12, 2019 (the "**Counter-Guarantee Agreement**"), which provides, among other matters, for the Republic to reimburse the Guarantor for any amounts paid by the Guarantor under this Guarantee;

(F) The Guarantor has entered into an Escrow Agreement, dated as of [•], 2020, with, inter alia, the Escrow Agent (the "**Escrow Agreement**"), which provides for, among other things, the establishment of escrow arrangements relating to amounts paid by the Guarantor following the occurrence of an Early Disbursement Event (as defined below); and

(G) The Guarantor is authorized to issue partial credit enhancements, and is willing, pursuant to the terms and conditions of the Counter-Guarantee Agreement, and in consideration of the payment and reimbursement obligations of the Republic contained in the Counter-Guarantee Agreement, to issue this Guarantee with respect to the Notes.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the acceptance hereof by the Trustee (acting pursuant to the authority granted in the Indenture) constitutes evidence of such agreement.

ARTICLE I
DEFINITIONS AND INTERPRETATION

Section 1.01 Definitions

Capitalized terms used but not defined in this Guarantee shall have the meanings set forth in the Indenture. The following capitalized terms used in this Guarantee shall have the following meanings:

"**Applicable Law**" means any statute, law, treaty, convention, regulation, ordinance, rule, judgment, order, decree, grant, franchise, concession, agreement, directive, permit, authorization, license, requirement or any form of decision of or determination by, or any interpretation or administration of any of the foregoing that has the effect of law with respect to any Person by, any Authority, whether now or hereafter in effect, including any of the foregoing relating to money laundering or terrorism.

"**Approved Assignee**" means The Goldman Sachs Group, Inc., any affiliate of Goldman Sachs or any trust, funding facility or vehicle or another bank, insurance company or financial institution which is regularly engaged in or established for the purpose of making, purchasing or investing in securities or other financial assets or acting as a trustee or fiduciary in relation thereto, and in each case such entity:

(a) is not a party sanctioned pursuant to a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(b) is not a firm, individual, parent company, subsidiary, or previous form of organization constituted by or with any of the same individual(s) as principal(s) declared ineligible by the Guarantor; in accordance with its sanctions procedure, or declared ineligible by another international financial institution and subject to agreements that the Guarantor may have for the mutual enforcement of sanctions, and listed in the website https://www.iadb.org/en/transparency/sanctioned-firms-and-individuals.

"**Authority**" means any nation or any supranational, national, regional or local government or any other political subdivision thereof, any governmental, administrative, arbitral, regulatory, fiscal, judicial or government-owned body, department, commission, authority, tribunal, agency, central bank (or any Person, whether or not government-owned and howsoever constituted or called, that exercises the functions of a central bank) or other entity of any kind exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"**Bail-in Legislation**" means in relation to a Member State of the European Economic Area which has implemented, or which at any time implements, the BRRD, the relevant implementing law, regulation, rule or requirement as described in the EU Bail-in Legislation Schedule from time to time.

"**Bail-in Powers**" means any Write-down and Conversion Powers as defined in relation to the relevant Bail-in Legislation.

"**BRRD**" means Directive 2014/59/EU, establishing a framework for the recovery and resolution of credit institutions and investment firms.

"**BRRD Liability**" has the same meaning as in such laws, regulations, rules or requirements implementing the BRRD under the applicable Bail-in Legislation.

"**BRRD Party**" means The Bank of New York Mellon, London Branch or any substitute Paying Agent, as it is subject to Bail-in Powers.

"**Business Day**" means any day except a Saturday, Sunday or other day on which commercial banks in London, the City of New York or Quito, Ecuador are required or authorized by law to be closed.

"**Collection Account**" means the Initial Collection Account, or such other replacement Collection Account as may be notified by the Trustee to the Guarantor, *provided* that the Collection Account shall be an Eligible Account and, if any Collection Account (whether the Initial Collection Account or a replacement Collection Account) ceases to be an Eligible Account, the Trustee shall promptly notify the Guarantor of a replacement Collection Account.

"**Counter-Guarantee Agreement**" has the meaning set forth in the recitals.

"**Demand Notice**" means a notice in writing from the Trustee to the Guarantor (a) notifying the Guarantor of any principal and/or interest which was due and payable on a Payment Date but remains unpaid and (b) constituting a demand by the Trustee on the Guarantor for payment pursuant to this Guarantee, in the form set forth in Exhibit A hereto.

"**Early Disbursement Event**" means any of the following:

(a) the Republic does not pay (directly or indirectly) any amounts owed by the Republic to the Guarantor under the Counter-Guarantee, *provided* that any such delay has not been cured within sixty (60) days;

(b) the Guarantor determines in its sole discretion in accordance with its sanctions procedures that any employee, agent or representative of the Republic has, in connection with the implementation of the Program engaged in fraudulent, corrupt, coercive or collusive practices;

(c) the Guarantor determines in its sole discretion that (x) any employee, agent or representative of the Republic has breached the Guarantor's environmental and social policies, as such policies are reflected in the ROP, and (y) corrective action plans in relation to such breaches have not been implemented in a reasonable time; or to the satisfaction of the Guarantor;

(d) the Guarantor determines in its sole discretion that the Republic has breached one or more obligations set forth in the Counter-Guarantee Agreement or the ROP; or

(e) withdrawal or suspension of the Republic from membership in the Guarantor, provided this circumstance continues for more than sixty (60) days.

"**Effective Date**" means the date on which all the conditions set forth in Sections 2.02 below have been satisfied.

"**Eligible Account**" means a bank account held with an institution of the United States' financial system, so long as such institution has a credit rating in its capacity as a financial institution equal to A-1 or better by Standard & Poor's Ratings Services, Inc., P-1 or better by Moody's Investors Service, Inc., or F-1 or better by Fitch Ratings Inc. or an equivalent rating by an equivalent rating agency in New York, New York.

"**Escrow Agent**" means The Bank of New York Mellon, in its capacity as escrow agent under the Escrow Agreement.

"**Escrow Agreement**" has the meaning set forth in the recitals.

"**EU Bail-in Legislation Schedule**" means the document described as such, then in effect, and published by the Loan Market Association (or any successor person) from time to time at http://www.lma.eu.com/.

"**Event of Default**" has the meaning set forth under the Indenture.

"**Guarantee**" has the meaning set forth in the preamble.

"**Guarantee Acceleration**" has the meaning set forth in Section 2.09.

"**Guarantee Escrow Account**" means the escrow account in New York created in the name of the Escrow Agent, for the benefit of the Guaranteed Holders, pursuant to the Escrow Agreement.

"**Guarantee Payment**" means any payment made by the Guarantor under this Guarantee, including payments made in accordance with Section 2.03(a) and 2.10(a)(ii) and (b) hereof. Any Guarantee Payment made by IDB shall be made in accordance with New York law. The Guarantee Payments will be made from a bank account of the Guarantor that is, as of the date of this Guarantee, located in New York, or in any other location as the Guarantor may subsequently determine in its sole discretion.

"**Guarantee Payment Event**" means the Republic's failure to pay, or cause to be paid, a Scheduled Payment Amount (or portion thereof) on the applicable Payment Date, provided that such event will only constitute a Guarantee Payment Event on the date on which the five (5) Business Day grace period applicable to such non-payment (to the extent applicable) has expired.

"**Guaranteed Holders**" means, from time to time and subject to Section 3.09, Holders that hold a beneficial interest in the Notes in the form of Global Notes, it being understood that the initial Guaranteed Holder will be Ecuador Social Bond S.à r.l..

"**Guarantor**" has the meaning set forth in the preamble.

"**Guarantor Event of Default**" means the occurrence of any of the following events: (i) the Guarantor fails to pay, or cause to be paid, any Guarantee Payment when due under this Guarantee pursuant to Section 2.03 and such failure is not cured within three (3) Business Days from the date such Guarantee Payment was due; (ii) the Guarantor contests the validity of the Guarantee; (iii) the Guarantor denies any of its obligations under this Guarantee (whether by a general suspension of payments or otherwise); or (iv) the Guarantor terminates (or seeks to terminate) this Guarantee other than in accordance with Section 2.10.

"**Holders**" means the Persons or entities that appear as owners of the Notes in the Register.

"**IDB Right to Purchase**" has the meaning set forth in Section 2.10.

"**Indebtedness**" means (a) all indebtedness of or guaranteed by the Guarantor for or in connection with borrowed money, and (b) all obligations of or guaranteed by the Guarantor, evidenced by debt securities, debentures, notes or other similar instruments, *provided* that this definition shall not include obligations arising from commercial agreements not having the commercial effect of a borrowing.

"**Indenture**" has the meaning set forth in the recitals.

"**Initial Collection Account**" means the Issuer Guarantee Escrow Account (account no. 153568400).

"**Maturity Date**" means January 30, 2035, the maturity date of the Notes.

"**Maximum Guaranteed Amount**" means, as of any date of determination, an amount equal to the lower of (a) US$300,000,000, *minus* the aggregate of all Guarantee Payments heretofore paid as of such date of determination; and (b) the Maximum Guaranteed Notes Amount, *provided* that following the Guarantor's exercise of the IDB Right to Purchase pursuant to (and in accordance with the terms of) Section 2.11, the Maximum Guaranteed Amount shall equal US$0.

"**Maximum Guaranteed Notes Amount**" means, on any given date of calculation, the amount set forth in the column titled "Maximum Guaranteed Notes Amount" in Schedule I to this Guarantee determined by reference to the period ending on (but excluding) the Payment Date occurring on or immediately preceding the date of calculation.

"**Notes**" has the meaning set forth in the recitals.

"**Offering Circular**" means the final Offering Circular relating to the offering of the Notes dated as of [January 16, 2020], and any additional and related materials which shall establish the specific terms and conditions of the offering of the Notes.

"**Paying Agent**" means The Bank of New York Mellon, London Branch or any substitute Paying Agent appointed pursuant to Section 3.8(c) of the Indenture.

"**Payment Date**" means each of the dates on which principal and interest, if any, on the Notes are originally scheduled to be paid, including the Maturity Date.

"**Person**" means an individual, a corporation, a limited liability company, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"**Process Agent**" has the meaning set forth in Section 3.03(d).

"**Program**" has the meaning set forth in the recitals.

"**Purchase Agreement**" means the Purchase Agreement dated [January 16, 2020] between the Republic, the Guarantor, Goldman Sachs & Co. LLC as global coordinator, bookrunner and placement agent, and Ecuador Social Bond S.à r.l. as initial purchaser of the Notes.

"**Register**" has the meaning set forth in the Indenture.

"**Registrar**" means the Person at such time acting as Trustee with respect to such Notes.

"**Relevant Resolution Authority**" means the resolution authority with the ability to exercise any Bail-in Powers in relation to the relevant BRRD Party.

"**Responsible Officer**" means, when used with respect to the Trustee, the Paying Agent or the Guarantor, any officer thereof having direct responsibility for the administration of the Indenture or this Guarantee, and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge and familiarity with the particular subject.

"**ROP**" means the Operating Manual of the Program, which details, *inter alia*: (a) the applicable social and environmental safeguards; (b) minimum requirements for eligible housing; (c) the financial intermediary institutions that can intermediate the proceeds of the Notes to provide mortgages to Program beneficiaries; (d) the characteristics of the mortgages to be provided from the resources of the Program; (e) the functions and responsibilities of the unit for the implementation of the Program; (f) the functions and responsibilities of the trust for the management of the proceeds; and (g) the financial, economic and social reporting and auditing of the Program.

"**RTP Period**" has the meaning set forth in Section 2.11.

"**Scheduled Payment Amount**" means, for any Payment Date, the amount of principal and/or interest on the Notes originally payable on such Payment Date (without regard for any acceleration of the Notes), as provided for in the Indenture.

"**Termination Date**" means the earlier of: (a) the date on which all amounts have been paid by the Republic under the Notes, such that no further amounts are (or may become) payable thereunder; (b) the date on which the Maximum Guaranteed Amount equals zero; and (c) the

date on which this Guarantee is terminated or cancelled pursuant to (and in accordance with the terms of) Section 2.10.

"**Termination Event**" has the meaning set forth in Section 2.10.

"**Transaction Documents**" means the following documents or agreements:

(a) the Indenture;

(b) the Counter-Guarantee Agreement;

(c) this Guarantee;

(d) the Offering Circular;

(e) the Escrow Agreement; and

(f) any other documents so designated by the Republic.

"**Trustee**" means The Bank of New York Mellon or any substitute Trustee appointed pursuant to Section 6.9 of the Indenture.

"**Trustee Process Agent**" has the meaning set forth in Section 3.03(d).

"**U.S. Dollars**" or "**US$**" means the lawful currency of the United States of America.

Section 1.02 Interpretation

In this Guarantee, unless the context otherwise requires:

(a) headings and the table of contents herein are for convenience only and do not affect the interpretation of this Guarantee;

(b) any terms defined herein include the plural as well as the singular;

(c) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Guarantee as a whole and not to any particular Article, Section or other subdivision of this Guarantee;

(d) a reference to an Article, a Section, a paragraph, a recital, the preamble, an Exhibit or a Schedule is a reference to an Article, a Section, a paragraph, a recital, the preamble, an Exhibit or a Schedule of or to this Guarantee, unless otherwise indicated;

(e) a reference to a document includes an amendment or supplement to that document, *provided* that such amendment or supplement has not been made in breach of this Guarantee;

(f) a reference to a party to any document includes that party's successors and permitted assigns; and

(g) any reference to treaties, statutes and related regulations shall include any amendments of the same and any successor treaties, statutes and regulations.

Section 1.03 Business Day Adjustment

Unless otherwise provided, where the day on or by which a payment is due to be made is not a Business Day (in the place of payment), that payment shall be made on the immediately following Business Day (in the place of payment). In such case, interest, fees and charges (if any) accrue for the period from the due date which is not a Business Day (in the place of payment) to such immediately following Business Day (in the place of payment).

Section 1.04 Absence of Rights of Third Parties

None of the terms of this Guarantee is intended to confer any rights, benefits, remedies, obligations or liabilities upon any person who is not a party to this Guarantee (including any Holder) and no such Person may enforce any of its terms. Only the Trustee, for the benefit of the Guaranteed Holders, may enforce the terms of this Guarantee. The Guarantor shall have no liability to any of the Holders or to any agent or representative thereof, except for the Trustee.

ARTICLE II
PARTIAL CREDIT GUARANTEE

Section 2.01 Establishment of Guarantee

(a) Subject to the terms and conditions of this Guarantee, the Guarantor hereby establishes a partial credit guarantee, up to the Maximum Guaranteed Amount, in favor of the Trustee for the benefit of the Guaranteed Holders.

(b) From the Effective Date until the Termination Date, the Guarantor irrevocably guarantees to the Trustee for the benefit of the Guaranteed Holders the payment of each Scheduled Payment Amount on each Payment Date (up to the Maximum Guaranteed Amount and without regard to any acceleration under the Notes), in accordance with the terms of this Guarantee.

(c) This Guarantee shall only cover, up to the Maximum Guaranteed Amount, Scheduled Payment Amounts, without regard to any acceleration under the Notes, and shall not cover any other amounts, including any additional amounts or indemnification amounts payable on the Notes, fees, expenses, costs or other amounts payable pursuant to any Transaction Document. For the avoidance of doubt, if the Notes are accelerated, the Guarantee will continue to cover Scheduled Payment Amounts (including each amount of interest on the Notes that would have been payable by the Republic on the relevant Payment Dates had the Notes not been accelerated). This Guarantee shall not be accelerated except as provided for in Section 2.09.

(d) This Guarantee covers all payments by the Republic of Scheduled Payment Amounts on the Notes (being all principal and interest amounts originally payable by the Republic on the Notes on each Payment Date) up to the Maximum Guaranteed Amount, *provided* that the Guarantee shall not cover any amounts payable by the Republic in connection with an Optional Redemption (as described in paragraph (e) below) and shall only cover

Scheduled Payment Amounts originally payable by the Republic on Payment Dates (without regard to any acceleration under the Notes).

(e) If there is an Optional Redemption and the Republic fails to make payment of any amount due in connection with such Optional Redemption, the Guarantee shall: (i) not cover the payment of the Optional Redemption Amount payable by the Republic in connection with such Optional Redemption; and (ii) continue to cover Scheduled Payment Amounts originally payable by the Republic on the Payment Dates (and, in accordance with the terms of the Indenture, the Holders may elect to reinstate the original schedule of payments of principal and interest on the Notes following a failure by the Republic to make payment of any amount due in connection with an Optional Redemption).

(f) The obligations of the Guarantor under this Guarantee constitute direct, unsecured obligations of the Guarantor that rank equally, without any preference among themselves, with all other unsecured and unsubordinated Indebtedness of the Guarantor, *provided* that such ranking is in terms of priority only and does not require that the Guarantor make ratable payments on the Notes with payments made on its other Indebtedness.

(g) This Guarantee is in favor of the Trustee (for the benefit of the Guaranteed Holders). Subject to Section 3.09, as the Guaranteed Holders shall only be Holders that hold a beneficial interest in the Notes in the form of Global Notes, the Guarantee shall not benefit (and no payments under the Guarantee shall be attributed to) any Holders of the Notes that are holding (or have an interest in) Definitive Notes.

Section 2.02 Conditions Precedent to Effectiveness

(a) This Guarantee will become effective upon satisfaction of the following conditions:

(i) the Republic shall be a member country of the Inter-American Development Bank;

(ii) the financial terms of the Notes are acceptable to the Guarantor in its sole discretion;

(iii) the Guarantor shall have been provided with a copy of the approval of the Debt and Finance Committee of the Republic authorizing the issuance of the Notes;

(iv) the conditions set forth in Section 2.02 (*Conditions Precedent to Executing the Guarantee*) of the Counter-Guarantee Agreement shall be satisfied;

(v) there shall have been due execution and delivery to the parties thereto of:

(a) this Guarantee;

(b) the Indenture;

(c) the Purchase Agreement;

(d) the Counter-Guarantee Agreement;

(e) the Escrow Agreement; and

(vi) the Notes shall have been issued and authenticated under and in accordance with the Indenture.

(b) The Guarantor will confirm to the Trustee by email once the conditions precedent in items (i) to (iv) and (v)(d) of paragraph (a) have been satisfied. The Trustee shall have no obligation to monitor or confirm the satisfaction of such conditions precedent to effectiveness of the Guarantee.

Section 2.03 Guarantee Payments

(a) If:

(i) no Termination Event has occurred and is continuing; and

(ii) a Guarantee Payment Event has occurred,

then the Trustee may (but is not obliged to) submit a Demand Notice to the Guarantor. Any Demand Notice shall: (1) inform the Guarantor of the occurrence of the Guarantee Payment Event; (2) set forth the amount of the relevant Scheduled Payment Amount that was not paid on the relevant Payment Date; and (3) set forth the amount being requested for payment under the Demand Notice (which may be equal to or lower than the relevant Scheduled Payment Amount, but shall in no case exceed the Maximum Guaranteed Amount). **Upon receipt of a duly completed Demand Notice by a Responsible Officer of the Guarantor**, the Guarantor shall be obligated on the terms and conditions hereof and thereof to make payment of the amount requested in such Demand Notice (up to the Maximum Guaranteed Amount), by depositing the applicable U.S. Dollar amount in the Collection Account no later than fourteen (14) Business Days from the receipt of such Demand Notice (with the payment by the Guarantor of any amount requested in a Demand Notice constituting a Guarantee Payment). Any amounts paid pursuant to this Guarantee shall be applied as set forth in Section 3.8(b) of the Indenture.

(b) If the Guarantor or the Trustee, in each case in its sole discretion, determines that a change in the manner or place of payment to the Paying Agent or the Trustee of any amount due hereunder or under any Notes is necessary or desirable to carry out the purposes of this Guarantee, the Trustee or any Paying Agent may agree with the Guarantor to any such change, *provided* that no such change may result in a delay of the date upon which the Guaranteed Holders are entitled to receive their proportionate share of any such payment or reduce the amount of any such payment under this Guarantee.

Section 2.04 Method of Guarantee Payments

(a) Demand Notices shall be submitted in writing (which may be by email) and confirmed by telephone on the day of submission.

(b) The Guarantor shall make each Guarantee Payment in the amount requested by the Trustee in a Demand Notice, and any payment due from the Guarantor in accordance with Section 2.09 (up to the Maximum Guaranteed Amount), by depositing the applicable amount in U.S. Dollars in immediately available funds in the Collection Account.

(c) Any amounts paid by the Guarantor in excess of the amounts required to be paid by the Guarantor pursuant to this Guarantee will be promptly returned by the Trustee to the Guarantor.

(d) The Trustee shall not set-off any amounts owed by the Republic or the Guarantor under any Transaction Document against any credits the Guarantor has against the Trustee or any of its affiliates, including any amounts or funds on deposit with the Trustee or any of its affiliates.

Section 2.05 Reinstatement of Maximum Guaranteed Amount

Any amount of Guarantee Payments disbursed by the Guarantor that the Republic later reimburses to the Guarantor in accordance with the Counter-Guarantee Agreement will not be available for new Guarantee Payments.

Section 2.06 Continuing Obligation; Status of Guarantee

(a) This Guarantee is a continuing obligation and shall remain in full force and effect until the occurrence of the Termination Date. Accordingly, the obligations of the Guarantor hereunder shall not be discharged except by performance (and then to the extent of such performance) or as otherwise provided in this Guarantee.

(b) The obligations of the Guarantor under this Guarantee will constitute direct, unsecured obligations of the Guarantor that will rank equally, without any preference among themselves, with all other unsecured and unsubordinated Indebtedness of the Guarantor, *provided* that such ranking is in terms of priority only and does not require that the Guarantor make ratable payments on the Notes with payments made on its other Indebtedness.

(c) This Guarantee is issued by the Guarantor and will not be the obligation of any government or nation state that is a member of the Inter-American Development Bank. No such government or nation state will be responsible for payments under this Guarantee or liable to the Trustee or to any Person in case of a Guarantor Event of Default.

Section 2.07 Waiver of Defenses

For the benefit of the Trustee, who acts for the benefit of the Guaranteed Holders, and for purposes of this Guarantee only, the Guarantor waives diligence, notice of acceptance, presentment, protest, notice of dishonor or non-payment hereunder. Nothing in this Section 2.07 requires the Guarantor to perform under this Guarantee if a Termination Event has occurred.

Section 2.08 Subrogation

(a) The Guarantor shall be subrogated to the rights of the Holders to the extent of any Guarantee Payments made by the Guarantor hereunder arising as a result thereof by way of right of subrogation, contribution, reimbursement, indemnity or otherwise *provided* that the Guarantor shall not exercise any such rights in connection with any amount or payment (i) in respect of which it has been reimbursed by the Republic under the Counter-Guarantee Agreement or (ii) which, following an Early Disbursement Event in respect of which the Guarantor has deposited the Maximum Guaranteed Amount into the Guarantee Escrow Account, has not been made by the Escrow Agent to the Trustee under the Escrow Agreement. In furtherance thereof, the Trustee shall from time to time take such actions as set forth in Section 4.12 of the Indenture to establish and facilitate the enforcement of the Guarantor's rights pursuant to this Section 2.08. For the avoidance of doubt, any rights that the Guarantor has to receive payments from the Republic under the Notes (only by virtue of it being subrogated to the rights of bondholders following Guarantee Payments under the Guarantee) shall be *pari passu* with any rights of the bondholders to receive payments from the Republic under the Notes.

(b) If the Guarantor exercises its subrogation rights pursuant to Section 2.08 of this Guarantee and Section 4.12 of the Indenture, the Guarantor shall notify the Trustee of the amounts of any reimbursements it receives from the Republic under the Counter-Guarantee Agreement.

(c) To the extent the Guarantor is subrogated in the rights of the Holders pursuant to Section 2.08(a), the Trustee shall forthwith assign or transfer to the Guarantor, without representation, warranty or recourse, all of such Holders' claims, interests, rights and security which it then has against the Republic under the Notes in respect of any amounts received by the Trustee on behalf of the Holders from the Guarantor.

(d) For the avoidance of doubt, if the Guarantor exercises the IDB Right to Purchase, the above subrogation rights shall not apply with respect to the RTP Subject Notes (as defined in Section 2.11), delivered to the Guarantor, in respect of which the Guarantor will have the same direct recovery rights against the Republic as other Holders in respect of such RTP Subject Notes. The Guarantor's exercise of the IDB Right to Purchase shall not affect any previously obtained subrogation rights, subject to there being no double counting.

Section 2.09 Guarantor Events of Default and Guarantee Acceleration

(a) The Guarantor will give the Trustee notice by facsimile transmission or other written communication satisfactory to the Trustee of (i) the occurrence of any Guarantor Event of Default or of any condition or event which, with the giving of notice or the lapse of time or both, would constitute a Guarantor Event of Default, and (ii) of the measures it is taking to remedy such Guarantor Event of Default or such other event or condition (if any). In no event shall the Trustee be charged with knowledge of any Guarantor Event of Default unless a Responsible Officer of the Trustee shall have received written notice thereof from the Guarantor, the Republic or a Holder and such notice references the Guarantee, the Notes and the relevant Guarantor Event of Default or, with regard to a payment default, a Responsible Officer of any of the Trustee shall have actual knowledge thereof.

(b) If (i) a Guarantor Event of Default occurs and is continuing and (ii) the Holders have elected to accelerate the Notes pursuant to paragraph 8 of the terms and conditions of the Notes, then the Guaranteed Holders representing at least twenty-five percent (25%) of the outstanding Notes may direct the Trustee to declare that all amounts payable under this Guarantee (up to the Maximum Guaranteed Amount on the relevant date) are immediately due and payable by the Guarantor in which case the Trustee shall notify the Republic and the Guarantor in writing (a "**Guarantee Acceleration**"), *provided* that any Guarantee Acceleration may be annulled or rescinded, and any Guarantor Event of Default may be waived, by Holders of not less than a majority of the principal amount of the then-outstanding Notes as provided in the Indenture. On the date of a Guarantee Acceleration (which shall be the date on which the Trustee gives notice thereof to the Guarantor), an amount equal to the Maximum Guaranteed Amount shall become immediately due and payable by the Guarantor to the Trustee (on behalf of the Guaranteed Holders) under this Guarantee, payable in accordance with Section 2.04.

Section 2.10 Termination Events

(a) This Guarantee shall terminate, and any written Demand Notice from the Trustee pursuant to this Guarantee shall be void, if any of the following events (each, a "**Termination Event**") occurs, and the Guarantor sends a notice to the Trustee and the Republic confirming that it is terminating this Guarantee due to the occurrence of such event:

(i) the Holders or the Trustee (at the direction of the Holders under the Indenture) make any amendment, modification or waiver of the Guarantee, the provisions of the Notes and/or the Indenture which adversely affects the rights and the obligations of the Guarantor, or give any written waiver or consent with respect thereto, without the Guarantor's prior written consent (with such written consent not to be unreasonably withheld and to be deemed given by the Guarantor after ten (10) Business Days of such written consent being sought);

(ii) an Early Disbursement Event occurs and the Guarantor has deposited the Maximum Guaranteed Amount into the Guarantee Escrow Account pursuant to the terms thereof, as described in Section 2.10(b) below;

(iii) any assignment by the Trustee of any of its rights and obligations under the Indenture or the Guarantee, which affect the rights and obligations of the Guarantor under the Guarantee or the provisions of the Notes, without the prior written consent of the Guarantor (with such written consent not to be unreasonably withheld and to be deemed given by the Guarantor after ten (10) Business Days of such written consent being sought), *provided* that no consent of the Guarantor shall be required (and no Termination Event shall occur) in connection with any assignment to an Approved Assignee or any assignment in accordance with Section 3.09(c) or in connection with the appointment of any successor Trustee under the Indenture.

(b) If, in the determination of the Guarantor, an Early Disbursement Event occurs, the Guarantor shall notify the Trustee and the Republic and shall then be entitled to deposit an amount equal to the Maximum Guaranteed Amount into the Guarantee Escrow Account, for payment to the Guaranteed Holders in the same amounts and subject to the same terms and

conditions as under this Guarantee. Upon deposit by the Guarantor of such funds in the Guarantee Escrow Account, this Guarantee shall terminate.

(c) In accordance with clause 3(b) of the Escrow Agreement, after the date on which all amounts have been paid by the Republic under the Notes, such that no further amounts are (or may become) payable thereunder, the Escrow Agent shall return any amounts in deposit in the Guarantee Escrow Account to the Guarantor within three (3) Business Days (as defined in the Escrow Agreement) of the Escrow Agent verifying the payment instructions of the Guarantor (as provided in clause 3(b) of the Escrow Agreement).

(d) The termination of this Guarantee pursuant to this Section 2.10 shall be effective as of the date set forth in an officer's certificate delivered by the Guarantor to the Trustee notifying it that a Termination Event has occurred and that this Guarantee and the Guarantor's obligations hereunder are terminated (which date shall not precede the occurrence of such Termination Event); from and after such date, all obligations of the Guarantor hereunder shall terminate and be of no further force or effect.

(e) Notwithstanding the foregoing, this Guarantee and all obligations of the Guarantor hereunder shall automatically terminate, without delivery of any notice or performance of any act by any party, upon the earlier to occur of any of the events set forth in section (a) and (b) of the definition of Termination Date.

(f) Termination of this Guarantee shall not in any respect whatsoever affect any of the rights of the Guarantor, the Republic or any other party under the Counter-Guarantee Agreement, which shall remain in full force and effect.

Section 2.11 IDB Right to Purchase

(a) If an Event of Default occurs and is continuing under the Notes, at any time between the date on which such Event of Default occurs and the date that is six (6) months therefrom (the "**RTP Period**"), the Guarantor shall have the right to purchase (and RTP Subject Notes Holders (as defined below) shall have the obligation to sell) the RTP Subject Notes (as defined below) for a price equal to par plus any interest accrued on such RTP Subject Notes, in an amount equal to the Maximum Guaranteed Amount (the "**IDB Right to Purchase**").

(b) In the event the Guarantor elects to exercise the IDB Right to Purchase, it shall provide the Trustee with (i) an irrevocable written notice of exercise no later than the last Business Day of the RTP Period (an "**RTP Exercise Notice**") and (ii) an officer's certificate from a Responsible Officer of the Guarantor certifying that the Guarantor is entitled to exercise the IDB Right to Purchase and that the all conditions precedent to the IDB Right to Purchase have been satisfied. The RTP Exercise Notice shall include the following information:

(i) the Event of Default pursuant to which the Guarantor is exercising the IDB Right to Purchase;

(ii) the date of occurrence of such Event of Default;

(iii) the Maximum Guaranteed Amount as of the date of the RTP Exercise Notice;

(iv) a calculation setting forth the total principal amount of the Notes to be purchased at par (the "**RTP Subject Notes**"), and the total amount of interest accrued in respect of such RTP Subject Notes, the sum of which shall be equal to the Maximum Guaranteed Amount; and

(v) the date on which, pursuant to the IDB Right to Purchase, the RTP Subject Notes Holders shall deliver their RTP Subject Notes (the "**RTP Settlement Date**"), *provided* that the RTP Settlement Date shall be no earlier than ten (10) Business Days and no later than thirty (30) days from the date of delivery of the RTP Exercise Notice.

(c) Upon receipt of an RTP Exercise Notice, the Trustee shall promptly give the Holders written notice thereof in accordance with paragraph 17(c) of the terms and conditions of the Notes. The Notes that shall comprise the RTP Subject Notes shall be selected in accordance with the procedure set out in paragraph 17(c) of the terms and conditions of the Notes (with the holders of such RTP Subject Notes being the "**RTP Subject Notes Holders**").

(d) No later than 2:00 p.m., New York time on the RTP Settlement Date, the RTP Subject Notes Holders shall transfer, or cause the Trustee to transfer, to the Guarantor the RTP Subject Notes above; and (ii) the Guarantor shall transfer to the Collection Account, for the benefit of the RTP Subject Notes Holders holding RTP Subject Notes, an amount equal to the Maximum Guaranteed Amount.

(e) Upon transfer of the Maximum Guaranteed Amount to the Collection Account on the RTP Settlement Date, the Maximum Guaranteed Amount will be automatically reduced to US$0.

(f) For the avoidance of doubt, the Counter-Guarantee Agreement shall not cover any payments made by the Guarantor in connection with the exercise of the IDB Right to Purchase.

(g) The Trustee shall be entitled to conclusively rely upon the information and calculations set forth in the RTP Exercise Notice and shall not be required to verify or re-calculate any of the above information.

Section 2.12 Bail-in

Notwithstanding any other term of this Guarantee, the Indenture or any other agreements, arrangements or understanding between the parties, each counterparty to a BRRD Party acknowledges, accepts and agrees to be bound by:

(a) the effect of the exercise of Bail-in Powers by the Relevant Resolution Authority in relation to any BRRD Liability of any BRRD Party to it under this Guarantee, that (without limitation) may include and result in any of the following, or some combination thereof:

(i) the reduction of all, or a portion, of the BRRD Liability or outstanding amounts due thereon;

(ii) the conversion of all, or a portion, of the BRRD Liability into shares, other securities or other obligations of the relevant BRRD Party or another person (and the issue to or conferral on it of such shares, securities or obligations);

(iii) the cancellation of the BRRD Liability; and

(iv) the amendment or alteration of the amounts due in relation to the BRRD Liability, including any interest, if applicable, thereon, the maturity or the dates on which any payments are due, including by suspending payment for a temporary period; and

(b) the variation of the terms of the Indenture or this Guarantee, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of Bail-in Powers by the Relevant Resolution Authority.

ARTICLE III
MISCELLANEOUS

Section 3.01 Notices. Except as provided in Section 2.04(a), any notice, demand, request, consent or other communication to be given or made under this Guarantee to the Guarantor or the Trustee shall be in writing. Such notice, demand, request, consent or other communication shall be delivered by hand, courier or email (*provided* that email delivery shall be effective only upon receipt of an acknowledgment from the intended recipient such as by the "return receipt request" function as available, reply email or other written acknowledgment) to the party's address specified below or at such other address as that party notifies to the other party hereto from time to time, and will be effective upon receipt.

For the Trustee:

The Bank of New York Mellon
Attention: Corporate Trust – Global Americas
240 Greenwich Street – 7E
New York, NY 10286
Fax: 212-815-5603
Email: Karen.Ferry@bnymellon.com

For the Paying Agent:

The Bank of New York Mellon, London Branch
One Canada Square
Canary Wharf
London E14 5AL
England

For the Guarantor:

Inter-American Development Bank
1300 New York Avenue, N.W.

Washington, D.C. 20577
Fax No.: (202) 312-4135
Email: FIN-FIN@IADB.ORG (addressed to IDB'S CFO & Finance Manager)
FIN-TCS@iadb.org (addressed to IDB's Treasury Client Solutions Group)
COFCEC@iadb.org (addressed to Country Representative – IDB's Country Office Ecuador)

Section 3.02 Governing Law; Dispute Resolution

(a) This Guarantee shall be governed by and construed in accordance with the laws of the State of New York of the United States of America, without regard to the conflict of law rules thereof (other than Section 5-1401 of the New York General Obligations Law and successor provisions thereto).

(b) Any dispute, controversy or claim of any nature arising out of, relating to or having any connection with this Guarantee, including any dispute as to the existence, validity, interpretation, performance, breach, termination or consequences of the nullity of this Guarantee (a "**Dispute**"), where the Guarantor is either a party, claimant, respondent or otherwise is necessary thereto, shall not be referred to a court of any jurisdiction and shall instead be referred to and finally resolved by arbitration under the Rules of the LCIA ("**LCIA Rules**") as at present in force as modified by this Section 3.03, which LCIA Rules are deemed to be incorporated by reference into this Section 3.03. The provisions in the LCIA Rules regarding an Emergency Arbitrator shall not apply. Capitalized terms used in this Section 3.03 which are not otherwise defined in this Guarantee shall have the meaning given to them in the LCIA Rules. In particular:

(i) There shall be three arbitrators.

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

(iii) Within thirty (30) days after the filing of the arbitration, the Paying Agent and the Trustee shall jointly appoint one arbitrator and the Guarantor shall appoint one arbitrator. If any such party or multiple parties fail to nominate an arbitrator within thirty (30) days from and including the date of receipt of the relevant request for arbitration, an arbitrator shall be appointed on their behalf by the LCIA Court in accordance with the LCIA Rules and applying the criteria at subparagraph (ii) above. In such circumstances, any existing nomination or confirmation of the arbitrator chosen by the party or parties on the other side of the proposed arbitration shall be unaffected, and the remaining arbitrator(s) shall be appointed in accordance with the LCIA Rules.

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

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

(vi) The language to be used in the arbitration shall be English. This Section 3.03(b) shall be governed by English law.

(c) The Trustee and the Guarantor each irrevocably waives, to the fullest extent permitted by Applicable Law, (i) any objection which it may now or hereafter have to the laying of venue of any action, suit or proceeding brought in any court referred to in this Section 3.03, and (ii) any claim that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

(d) The Trustee hereby agrees that service of process in any such action, suit or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail) to The Bank of New York Mellon, London Branch (the "**Trustee Process Agent**") as the Trustee's registered agent in London for service of process at its address at The Bank of New York Mellon, London Branch, One Canada Square, Canary Wharf, London E14 5AL, England or at such other address in London of which the Guarantor shall have been notified by the Trustee. The Guarantor hereby agrees that service of process in any such action, suit or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail) to Cogency Global (UK) Limited (the "**Guarantor Process Agent**") as such Person's registered agent in London for service of process at its address at 6 Lloyds Avenue, Unit 4CL, London EC3N 3AX or at such other address in London of which the Trustee shall have been notified by the Guarantor. The Trustee and the Guarantor shall each, for so long as it shall be bound to the Guarantor under this Guarantee, maintain their respective Process Agent (or if such Process Agent can no longer perform its functions of agent for service of process, another agent satisfactory to the other party) as its duly appointed agent to receive for and on its behalf service of summons, complaint or other legal process in any legal action, suit or proceeding the Guarantor or the Trustee may bring in the English courts in relation to any arbitration proceedings contemplated by this Section 3.02 or in relation to recognition or enforcement of any such arbitration award obtained in accordance with this Section 3.02.

(e) Service of process in the manner provided in this Section 3.03 in any such action, suit or proceeding shall be deemed personal service and accepted by the Trustee and Guarantor (as applicable) as such and shall be valid and binding upon the Trustee and the Guarantor (as applicable) for all the purposes of any such action suit or proceeding.

Section 3.03 Language

This Guarantee is signed in the English language, which shall be binding upon the parties hereto, and the parties hereby agree that only a duly executed English version of this Guarantee is a valid version of this Guarantee.

Section 3.04 Waiver of the Guarantor Security

To the extent that the Holders or the Trustee may, in any suit, legal action or proceeding brought in any court in Ecuador, the United States, the State of New York or any other jurisdiction arising out of or in connection with this Guarantee or any other Transaction Document, be entitled to the benefit of any provision of any Applicable Law requiring the

Guarantor, in such suit, legal action or proceeding, to post security for the costs of the Holders or the Trustee or to post a bond or to take similar action, the Trustee hereby irrevocably waives such benefit to the fullest extent now or hereafter permitted under the laws of Ecuador, the United States, the State of New York and, as the case may be, such other relevant jurisdictions.

Section 3.05 Waiver of Trial by Jury

The Trustee hereby acknowledges that the Guarantor shall, under Applicable Law, including without limitation the provisions of the International Organizations Immunities Act of 1945 (22 U.S.C. 288) and the regulations issued thereunder, be entitled to immunity from a trial by jury in any action, suit or proceeding arising out of or relating to this Guarantee, or any other Transaction Document or the transactions contemplated hereby or thereby, that may be brought against the Guarantor in any court of the United States. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, THE TRUSTEE HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS GUARANTEE OR ANY OTHER TRANSACTION DOCUMENT AND FOR ANY COUNTERCLAIM WITH RESPECT THERETO. The Trustee agrees that the waivers set forth above shall have the fullest extent permitted under the Foreign Sovereign Immunities Act of 1976 of the United States (28 U.S.C. §§ 1602-1611) and are intended to be irrevocable and not subject to withdrawal for purposes of such Act.

Section 3.06 Scope of Guarantor's Immunity

(a) The Trustee and the Paying Agent acknowledge that, in accordance with the Agreement Establishing The Inter-American Development Bank, actions may be brought against the Guarantor only in a court of competent jurisdiction in the territories of a member country of the Guarantor in which the Guarantor has an office, has appointed an agent for accepting service or notice of process, or has issued or guaranteed securities.

(b) The Trustee and the Paying Agent acknowledge further acknowledge that:

(i) no actions shall be brought against the Guarantor by member countries of the Guarantor or persons acting for or deriving claims from such member countries;

(ii) the property and assets of the Guarantor, wherever located and by whomsoever held, shall be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Guarantor; and

(iii) the archives of the Guarantor shall be inviolable.

Section 3.07 Amendments, Modifications, Etc.

(a) No amendment, modification or waiver of any provision of this Guarantee shall be effective unless such amendment, modification or waiver shall be in writing and signed by each of the parties hereto and the same shall be effective only for the period and on the conditions and for the specific instances specified therein.

(b) No amendment, modification or waiver of any provision of the Indenture or the Notes that adversely affects the obligations of the Guarantor thereunder may be made without the prior written consent of the Guarantor. Such consent shall not be unreasonably withheld by the Guarantor and shall be subject to deemed consent after ten (10) Business Days of such written consent being sought. In connection with any amendment, modification or waiver of any provision of the Indenture or the Notes, the Republic will seek the relevant consent of the Guarantor under and in accordance with the terms of this Guarantee.

Section 3.08 Entire Agreement

The obligations of the Guarantor hereunder are governed by this Guarantee only and, in the event of any conflict between this Guarantee on the one hand, and any other Transaction Document on the other hand, the terms of this Guarantee shall govern. This Guarantee represent the final and complete agreement of the parties hereto with respect to the subject matter hereof, and all prior negotiations, representations, understandings, writings and statements of any nature with respect thereto are hereby superseded in their entirety by the terms of this Guarantee.

Section 3.09 Successors and Assigns

(a) This Guarantee shall bind and inure to the benefit of the respective successors and permitted assigns of the parties hereto. Subject to paragraphs (b) and (c) below, neither the Trustee nor the Guarantor may transfer or assign this Guarantee, or its rights or obligations under this Guarantee, without the prior written consent of the Guarantor, except that the Trustee may transfer and assign this Guarantee, or its rights or obligations under this Guarantee, to an Approved Assignee.

(b) If, in accordance with Section 2.6(e) of the Indenture, all Notes (and not some only) are to be represented by Definitive Notes (such that no Notes will continue to be represented by the Global Notes), the Trustee may notify the Guarantor that the Guaranteed Holders will no longer be the Holders that hold a beneficial interest in the Notes in the form of Global Notes and will instead be such Holders specified in the Register by the Trustee from time to time, determined in accordance with Section 2.9 of the Indenture.

(c) The Guarantor acknowledges that the Trustee or any Guaranteed Holder may charge, assign or otherwise create a security interest in or over any of its rights and obligations under this Guarantee to The Bank of New York Mellon (acting in the capacity of a collateral agent in connection with any transaction which references this Guarantee), *provided that* the relevant party will provide notice to the Guarantor promptly after any such charge, assignment or security interest has been created.

Section 3.10 Severability

Any provision of this Guarantee which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 3.11 Counterparts

This Guarantee may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

Section 3.12 Saving of Rights; Waivers and Remedies

(a) No course of dealing or waiver by the Guarantor in connection with any condition of a Guarantee Payment under this Guarantee shall impair any right, power or remedy of the Guarantor with respect to any other condition of such Guarantee Payment, or be construed to be a waiver thereof, nor shall the action of the Guarantor with respect to any Guarantee Payment affect or impair any right, power or remedy of the Guarantor with respect to any other Guarantee Payment.

(b) Without prejudice to the generality of Section 3.13(a), the right of the Guarantor to require compliance with any condition under this Guarantee that may be waived by the Guarantor with respect to any Guarantee Payment is expressly preserved for the purposes of any subsequent Guarantee Payment.

(c) No course of dealing, and no failure or delay by the Guarantor in exercising, in whole or in part, any power, remedy, discretion, authority or other right under this Guarantee or any other agreement shall waive or impair, or be construed to be a waiver of or an acquiescence in, such or any other power, remedy, discretion, authority or right under this Guarantee, or in any manner preclude its additional or future exercise.

Section 3.13 Not an Insurance Product

This Guarantee is not, is not intended to be, and shall not be construed as, financial guaranty insurance, but as a credit guarantee product.

Section 3.14 Trustee, Registrar, Paying Agent.

In executing this Guarantee and acting hereunder, the Trustee, Registrar and Paying Agent are acting in such capacities under the Indenture and not in their individual capacity and as such, shall be entitled to the rights, benefits, protections, indemnities and immunities afforded to each of them under the Indenture.

[SIGNATURE PAGES FOLLOW]

INTER-AMERICAN DEVELOPMENT BANK

By: _____
Name:
Title:

ACCEPTED AND AGREED:

THE BANK OF NEW YORK MELLON

By: _____
Name:
Title:

By: _____
Name:
Title:

THE BANK OF NEW YORK MELLON,
LONDON BRANCH

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE I
MAXIMUM GUARANTEED NOTES AMOUNT

Period start date (from and including)	Period end date (to but excluding) ("Payment Date")	Maximum Guaranteed Notes Amount (US$)
30-Jan-20	30-Jul-20	300,000,000.00
30-Jul-20	30-Jan-21	296,997,507.00
30-Jan-21	30-Jul-21	293,995,014.00
30-Jul-21	30-Jan-22	290,992,521.00
30-Jan-22	30-Jul-22	287,990,028.00
30-Jul-22	30-Jan-23	284,987,535.00
30-Jan-23	30-Jul-23	281,985,042.00
30-Jul-23	30-Jan-24	278,982,549.00
30-Jan-24	30-Jul-24	267,019,056.00
30-Jul-24	30-Jan-25	255,133,056.00
30-Jan-25	30-Jul-25	243,364,056.00
30-Jul-25	30-Jan-26	238,712,056.00
30-Jan-26	30-Jul-26	234,086,056.00
30-Jul-26	30-Jan-27	229,486,056.00
30-Jan-27	30-Jul-27	224,912,056.00
30-Jul-27	30-Jan-28	220,364,056.00
30-Jan-28	30-Jul-28	215,842,056.00
30-Jul-28	30-Jan-29	209,846,056.00
30-Jan-29	30-Jul-29	203,895,556.00
30-Jul-29	30-Jan-30	195,990,556.00
30-Jan-30	30-Jul-30	188,157,056.00
30-Jul-30	30-Jan-31	176,895,056.00
30-Jan-31	30-Jul-31	165,750,056.00
30-Jul-31	30-Jan-32	153,722,056.00
30-Jan-32	30-Jul-32	141,824,056.00
30-Jul-32	30-Jan-33	115,056,056.00
30-Jan-33	30-Jul-33	88,613,056.00
30-Jul-33	30-Jan-34	62,495,056.00
30-Jan-34	30-Jul-34	36,702,056.00
30-Jul-34	30-Jan-35	18,234,056.00

EXHIBIT A

Form of Demand Notice

[Date]

Inter-American Development Bank
1300 New York Avenue, N.W.
Washington, D.C. 20577
Fax No.: (202) 312-4135
Attn: IDB'S CFO & Finance Manager
IDB's Treasury Client Solutions Group
Country Representative – IDB's Country Office Ecuador

Re: Demand Notice – Partial Credit Guarantee to Ecuador's Notes due 2035

1. Reference is made to the Partial Credit Guarantee, dated as of [January 30, 2020] (the "**Guarantee**"), between Inter-American Development Bank ("**Guarantor**"), The Bank of New York Mellon (the "**Trustee**") and The Bank of New York Mellon, London Branch (the "**Paying Agent**").

2. Capitalized terms used but not defined herein have the meanings assigned to them in the Guarantee.

3. In accordance with the Guarantee, we submit to you this Demand Notice and we hereby certify to you that the Republic has failed to pay the following Scheduled Payment Amount on the following Payment Date:

Payment Date: _____
Scheduled Payment Amount(s): US$_____

4. The Guarantor is hereby requested and instructed to make a payment of US$__, which shall constitute a Guarantee Payment under the Guarantee, and which relates to US$__ of the interest component of the Scheduled Payment Amount described above and US$__ of the principal component of the Scheduled Payment Amount described above. This Guarantee Payment shall be made to the Collection Account on or before the fourteenth (14^{th}) Business Day following the Guarantor's receipt of this Demand Notice.

To induce you to make such payment and as contemplated by the Guarantee, we further certify that (a) the amount of the Guarantee Payment specified under this Demand Notice does not exceed the Maximum Guaranteed Amount calculated as of today and that upon making said payment, you will not exceed your liability under the Maximum Guaranteed Amount; (b) we have complied with all terms and conditions of the Guarantee; (c) upon your payment, you shall automatically have full rights pursuant to Section 2.08 of the Guarantee; (d) no Termination Event has occurred; and (e) the making and submission of this Demand Notice has been duly

authorized by the Trustee through all appropriate action and the undersigned is a Responsible Officer of the Trustee.

[Signature page follows]

Sincerely,
THE BANK OF NEW YORK MELLON

By:_____
Name:
Title:

Investors should rely only on the information contained in this Offering Circular or to which the Republic of Ecuador has referred investors. Ecuador has not, and the Sole Global Coordinator, Bookrunner and Social Bond Structuring Agent has not, authorized anyone to provide information that is different from the information contained in this Offering Circular. This Offering Circular may only be used where it is legal to sell these Notes. The information in this Offering Circular may only be accurate on the date of this Offering Circular.

The Republic of Ecuador U.S.$400,000,000 7.25% Social Housing Notes due 2035

Offering Circular

January 16, 2020

ISSUER

Ecuador Social Bond S.à r.l.
c/o TMF Luxembourg S.A.
46A, Avenue J.F. Kennedy, L-1855 Luxembourg

REPACK INDENTURE TRUSTEE, REGISTRAR, CALCULATION AGENT, REPACK PAYING AGENT, TRANSFER AGENT AND COLLATERAL AGENT

The Bank of New York Mellon
240 Greenwich Street
New York, NY 10286

LISTING AGENT

The Bank of New York Mellon SA/NV, Luxembourg Branch
Vertigo Building – Polaris, 2-4 rue Eugène Ruppert L-2453
Luxembourg, Grand Duché de Luxembourg

LEGAL ADVISORS

To the Placement Agent
as to United States law

Clifford Chance US LLP
31 West 52nd Street
New York, NY 10019, USA

To the Placement Agent
as to Luxembourg law

Clifford Chance Luxembourg
10 Boulevard Grand Duché de Charlotte, B.P. 1147 L
1011 Luxembourg, Grand Duché de Luxembourg

To the Issuer
as to Luxembourg law

Clifford Chance Luxembourg
10 Boulevard Grand Duché de Charlotte, B.P. 1147 L
1011 Luxembourg, Grand Duché de Luxembourg

To the Repack Indenture Trustee
as to United States law

Perkins Coie LLP
1155 Avenue of the Americas, 22nd Floor New York,
NY 10036-2711, USA

ECUADOR SOCIAL BOND S.À R.L.

U.S.$230,961,000.00 2.60% CLASS A SOCIAL NOTES DUE 2035

OFFERING MEMORANDUM

Sole Bookrunner and Social Notes Structuring Agent

GOLDMAN SACHS & Co. LLC

January 16, 2020