

ECUADOR INVITES ALL BOND HOLDERS TO JOIN THE MAJORITY IN ENDORSING THE REPUBLIC'S PROPOSAL

The Ministry of Economy and Finance of the Republic of Ecuador wishes to address the positions taken by a "Steering Committee" comprised of Amundi (UK) Limited, Contrarian Capital Management LLC, Grantham Mayo Van Otterloo & Co., and T Rowe Price Associates, Inc., advised by BroadSpan Capital and UBS along with some holders of the 2024 bond represented by Quinn Emanuel in its press release dated July 20th.

Since Ecuador started its debt restructuring process in March, the country has worked in a transparent, constructive, and cooperative manner with the holders of its debt. This has allowed the Republic to avoid a technical default with the support of 90% of its bondholders in April of this year. Since that time, it has engaged in good faith negotiations which resulted in the terms of the Republic's offer with the support of the Ad Hoc Group, comprised of Ecuador's largest bond holders. The size of the Ad Hoc Group has increased from 45% in the aggregate on July 10th to more than 53%, with over or close to 50% in almost every individual series by July 20th. The Republic has also gathered informal support beyond that of the Ad Hoc Group which, based upon information available to it, has reached near 60% of acceptance of Ecuador's consent solicitation not far from the voting threshold. In addition, Ecuador's proposal has been visibly welcomed by the official international community, particularly the International Monetary Fund, the World Bank, Inter-American Development Bank as well as other official sector creditors.

The proposal received from the group advised by BroadSpan Capital and UBS was reviewed in detail by Ecuador's economic team. This proposal calls for an enormous incremental sacrifice by the Ecuadorian people. Even though the proposal of "new money" appears alluring, it comes at a dear cost. First, the 9.5% interest rate is significantly higher than the maximum coupon rate of 6.9% contemplated in the terms of the consent solicitation. Second, and more importantly, the estimated US\$500 to US\$600 million of possible "new money" is offered in exchange for an increase in debt service payments of US\$ 1.5bn over the period 2022-2025, compared to the terms already agreed with a majority of its bondholders. This additional yearly debt service in the mentioned years, would account for almost half of Ecuador's yearly social assistance (cash transfer) programs that provide relief to the poorest and most vulnerable segments of the population at a time when they most need it. Third, Ecuador fully subscribes to meeting the Sustainable Development Goals (SDGs), but to do so goes beyond accepting costly new money in the short-term. The SDGs can only be attained if Ecuador achieves economic recovery with social equity, which is precisely what our

economic reform program aims at and is inextricably linked to obtaining the debt relief solicited by the Republic.

In sum, the proposal by the Steering Committee is in net terms too burdensome for the country and would dramatically erode our efforts to restore debt sustainability, thereby undermining the quality of Ecuadorian bonds in the hands of investors. It is a lose-lose proposition.

The recovery from this economic crisis is expected to take years, well beyond this administration. The additional debt service burden proposed by the Steering Committee comes in the years when Ecuador will need all of its resources to reactivate the economy, strengthen the social safety net for those most affected by the crisis, and allow the country to make the economic and political structural changes it needs to reach a sustainable development path.

Ecuador regrets the way in which the Committee has reacted to the fair proposal agreed to in principle after meaningful negotiations by the people of Ecuador and a broad group of highly prestigious financial institutions from all over the world. As a matter of fair public policy, the government of Ecuador will not make concessions to bond holders only seeking to derail a process that has been conducted in good faith and yielded a fair and balanced outcome. It is instead the duty of the authorities—when a market-friendly resolution has been broadly accepted—to ask minority bondholders to understand the precarious situation that Ecuador is in and join the majority in endorsing the Republic’s proposal. A successful debt restructuring will constitute a major sign of hope to a world asphyxiated by the Covid crisis, and a major positive precedent to future emerging markets’ sovereign debt restructurings.

Forward-Looking Statements

This press release contains forward-looking statements. Forward-looking statements are information of a non-historical nature or which relate to future events and are subject to risks and uncertainties. No assurance can be given that the transactions described herein will be consummated or as to the ultimate terms of any such transactions. The Ministry of Economy and Finance undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.