

May 11, 2023

## GOVERNMENT OF ECUADOR ANNOUNCES DEBT FOR NATURE SWAP OPERATION TO PRESERVE GALAPAGOS ISLANDS' BIODIVERSITY

Quito, Ecuador - The Ministry of Economy and Finance is delighted to announce a significant milestone in environmental preservation with the completion of a debt for nature exchange, aimed at safeguarding the invaluable biodiversity of the Galapagos Islands.

In partnership with the U.S. International Development Finance Corporation (DFC), Inter-American Development Bank (IDB), Credit Suisse, Oceans Finance Company (OFC), and the Pew Bertarelli Ocean Legacy Ecuador has closed on the largest debt for nature exchange in history.

This exchange, the world's largest, is another example that Ecuador, faithful to its democratic principles, has the confidence and support of organizations and countries that make biodiversity conservation possible. This transaction along with the resources allocated to the Galapagos, will enable us to work on a blue economy, promote climate resilience, and support sustainable fishing.

Through the successful execution of this debt exchange, we have achieved a reduction of US\$972 million in the stock of our external debt. These savings were achieved through the exchange of 1,628 million in global bonds that were bought by GPS Blue Financial Designated Activity Company (through a tender led by Credit Suisse), while simultaneously securing a new impact "blue" loan for US\$656 million.

Global Bonds*	Issued	Tendered	New Stock
2030 Notes	3,701,423,865	202,337,921	3,499,085,944
2035 Notes	8,458,864,776	1,006,228,531	7,452,636,245
2040 Notes	3,403,135,207	420,192,785	2,982,942,422
	<b>15,563,423,848</b>	<b>1,628,759,237</b>	<b>13,934,664,611</b>

\*2030 PDI bonds were not included in the tender.

The U.S. Development Finance Corporation is providing \$656 million in political risk insurance for the Loan, while the InterAmerican Development Bank is providing an \$85 million guarantee. A group of 11 private insurers is providing more than fifty percent reinsurance to facilitate the project. The new loan has a tenor of 18.5 years, maturing in November 2041, a 7-year grace period, and an interest rate of 6.975%.

The debt conversion will generate more than \$450 million for marine conservation in the Galápagos Islands, including over \$18 million of new funding annually for 18.5 years (over 324 million) and the creation of an endowment fund which is estimated to grow to over \$227 million by 2041. The endowment will be a source of permanent funding for the GLF to continue supporting marine conservation projects beyond the term of the transaction.

Monies destined for the Galapagos will be managed by the Galapagos Life Fund (GLF) managed by an 11-member board, with 8 Ecuadorean members (4 private and 4 public) and 3 international members. The Environment Minister of Ecuador will be the President of the Fund.

This debt for nature swap operation serves as a testament to our dedication to environmental stewardship and exemplifies the tangible impact that can be achieved through innovative financial mechanisms. By prioritizing the protection of our natural resources and fostering robust collaborations among nations, we are taking significant steps towards ensuring a prosperous future for generations to come.

The following table exemplifies the debt savings over the life of the loan:

### ECUADOR DEBT SAVINGS - TREASURY FLOWS BEFORE AND AFTER THE TRANSACTION

