

Quito, June 5, 2013



Bank of China  
No. 1 Fuxingmennei Dajie  
Xicheng District  
Beijing, 100818  
People's Republic of China

**CONFIDENTIAL**

RE: Additional information on 2012 and 2030 global bonds issued by Ecuador, requested in relation to the proposed financing of the Cañar Naranjal project

Dear Mr. Liu Hongbo:

In response to your request for additional information regarding the 2012 and 2030 global bonds issued by the Republic of Ecuador ("**Ecuador**"), in connection with the proposed financing of the *Control de Inundaciones Cañar & Control de Inundaciones Naranjal Project* by Bank of China Limited ("**Bank of China**"), please find the summary below for your review.

1. **BACKGROUND**

The 2012 and 2030 global bonds (collectively the "**Global Bonds**") were issued by Ecuador in the year 2000 to consolidate debt previously issued primarily during the 1980s. Much of the debt consolidated into the Global Bonds was originally issued by various public and private sector entities in Ecuador to international private financial institutions, and later assumed by the Central Bank of Ecuador as obligations of the country. The 2012 global bonds were originally issued in a principal amount of US\$510 million, and the 2030 global bonds were originally issued in a principal amount of US\$2.7 billion, for a total principal amount of US\$3.21 billion issued under the Global Bonds.

2. **MARKET-BASED REPURCHASE OFFER**

In 2009, Ecuador, advised by the firms Clifford Chance LLP and Lazard Frères & Co. , extended an offer to all bondholders to repurchase the outstanding Global Bonds at a market-determined clearing price based on a "modified Dutch auction", whereby the price paid to the participating bondholders was based on the bids of the auction participants. As a result of this market-based process, Ecuador repurchased 91% of the outstanding Global Bonds at a price of US\$0.35 per dollar of par value in June 2009. As of 2013, more than 94.7% of the Global Bonds have been repurchased by Ecuador.



3. **CURRENT STATUS OF GLOBAL BONDS**

With respect to the small minority of holders of Global Bonds that chose not to participate in the 2009 repurchase offer, Ecuador has been working proactively to find a mutually acceptable solution to the situation for the amount outstanding.

It is important to clarify that there are no legal actions initiated by the holders of Global Bonds against Ecuador, nor claims to pay which are in risk of default of the debt of Ecuador. This situation has been understood by all of the lenders to Ecuador, including those with whom we have closed transactions in recent months.

I hope the explanation above is helpful in providing additional background on the Global Bonds and their current status.

I look forward to working together to close the successful financing of the Cañar Naranjal project as soon as possible, and to developing a relationship between Bank of China and Ecuador that can grow to include financing of other projects.

Best regards,



Mr. William Vasconez Rubio  
**UNDERSECRETARY OF PUBLIC FINANCE**  
**MINISTRY OF FINANCE**

Revisado por:	María José Valarezo	Analista	
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