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## Ecuador improves its debt management

*With a voluntary prepayment of a tranche of debt with China,*

*US\$270.75 million of debt service is relieved*

A voluntary prepayment of US\$266.6 million to China Development Bank (CDB) will allow the country to save on its debt and reduce fiscal pressure. The voluntary prepayment corresponds to two tranches of a facility agreement, known as Line II, that the country signed with the financial institution on 27 June 2011. The US\$2 billion loan was divided into:

- a US\$1.4 billion tranche which was freely disburseable, at an interest rate of 7.159%; and
- a US\$600 million tranche which was disbursed in Renminbi – RMB, the Chinese currency – for use in investment projects, at an interest rate of 6.253%.

Seven years later, the outstanding amount of this Line II was divided in two tranches: Tranche A (in Dollars), in the amount of US\$238.07 million; and Tranche B in the amount of US\$33.3 million (converted using an exchange rate of RMB 6.87 per Dollar as of September 15).

The voluntary prepayment was made today, upon payment of US\$266.6 million to accounts of CDB, utilizing the mechanisms permitted and contemplated by the structure of the financing and not affecting the liquidity and reserves of the State treasury. Of this amount, US\$262 million corresponds to the payment of the outstanding amount of the credit, and the remainder (US\$4.6 million) to the prepayment fee for Tranche A. For the prepayment of Tranche B there was no prepayment fee.

This operation reduces the pressure on the treasury by the amount of US\$91.63 million in December 2018, US\$90.05 million in March 2019, and US\$90.05 million in June 2019. In total, the debt relief totals US\$270.75 million. By prepayment of the entirety of the outstanding Line II facility, the Ecuadorian State avoided payment of US\$9.34 million in interest.

This operation allows de-linking of the crude oil commercial contract with the facility agreement, which opens the doors for improved access to international credit. “We are providing an example of doing things well. The market positively views the ordering of public finance and this opens new options in the markets”, explained the Minister of Economy and Finance, Richard Martinez.

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