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OFFERING CIRCULAR SUPPLEMENT

The Republic of Ecuador

U.S.$610,359,000 8.750% Notes due 2023
U.S.$611,870,000 9.650% Notes due 2026

The Republic of Ecuador (the "Republic" or "Ecuador") and The Bank of New York Mellon, as trustee (the "Trustee") have entered into (i) the indenture dated June 2, 2017, as amended and supplemented on December 28, 2018, with respect to the 2023 Notes (as defined below) (the "2023 Indenture"), and (ii) the indenture dated December 13, 2016, as amended and supplemented on December 28, 2018, with respect to the 2026 Notes (as defined below) (the "2026 Indenture", and together with the 2023 Indenture, the "Indentures"). Pursuant to the respective Indentures, the Republic has issued (i) an initial U.S.$1,000,000,000, an additional U.S.$187,000,000 and an additional U.S.$688,268,000 of its 8.750% Notes due 2023 (together, the "2023 Notes") and (ii) an initial U.S.$750,000,000, an additional U.S.$1,000,000,000 and an additional U.S.$ 41,000,000 of its 9.650% Notes due 2026 (together, the "2026 Notes", and together with the 2023 Notes, the "Original Notes").

The Republic is issuing (i) an additional U.S.$610,359,000 aggregate principal amount of its 8.750% 2023 Notes (the "Additional 2023 Notes"), and (ii) an additional U.S.$611,870,000 aggregate principal amount of its 9.650% Notes due 2026 (the "Additional 2026 Notes", and together with the Additional 2023 Notes, the "Additional Notes"). The Additional Notes will be additional notes issued under each respective Indenture. Each series of Additional Notes will have identical terms and conditions as its respective series of Original Notes, other than issue date and issue price, and each will be consolidated and form a single series with their respective series of Original Notes (the Additional Notes and the Original Notes, together the "Notes"). Each series of Additional Notes will vote together as a single class with its respective series of Original Notes. Upon issuance of the Additional Notes, the aggregate principal amount of (i) 2023 Notes will be U.S.$2,485,627,000, and (ii) 2026 Notes will be U.S.$2,402,870,000.

This Offering Circular Supplement (the "Supplement") is supplemental to and should be read in conjunction with (i) the Offering Circular dated May 30, 2017, and its supplements dated October 11, 2017 and May 29, 2019, with respect to the 2023 Notes (the "2023 Offering Circular"), and (ii) the Offering Circular dated December 13, 2016, and its supplements dated January 13, 2017 and October 11, 2017, with respect to the 2026 Notes (the "2026 Offering Circular", and together with the 2023 Offering Circular, the "Offering Circulars"), attached as Appendix A and Appendix B, respectively, to this Supplement. Terms defined in the Offering Circulars shall have the same meaning in this Supplement. With effect from the date of this Supplement, the information appearing in the Offering Circulars shall be amended and/or supplemented in the manner described in this Supplement.

There is currently no public market for the Additional Notes. Application has been made to list the Additional Notes on the Official List of the Luxembourg Stock Exchange and to have the Additional Notes admitted to trading on the Euro MTF Market. This Supplement, together with the Offering Circulars, constitutes a prospectus for the purpose of the Luxembourg Law dated July 16, 2019 on prospectuses for securities, as amended. The Additional 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*" section of this Supplement regarding certain risk factors you should consider before investing in the Additional Notes.

Additional 2023 Notes Price: 107.291% plus accrued interest from June 2, 2019 to but excluding August 6, 2019
Additional 2026 Notes Price: 107.026% plus accrued interest from June 13, 2019 to but excluding August 6, 2019

Delivery of the Additional Notes was made on or about August 6, 2019.

The Additional Notes have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"). The Additional 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 may be offered and sold to certain persons in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S"). There are no Additional Notes being offered and sold in the United States or to U.S. persons.

The Additional 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.

ANY OFFER OR SALE OF NOTES IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (THE "EEA") THAT HAS IMPLEMENTED PROSPECTUS REGULATION (EU) 2017/1129 (THE "PROSPECTUS REGULATION") MUST BE ADDRESSED TO QUALIFIED INVESTORS (AS DEFINED IN THE PROSPECTUS REGULATION).

The date of this Supplement is August 9, 2019.

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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 the Offering Circulars and this Supplement or to which the Republic of Ecuador has referred them. Ecuador has not authorized anyone to provide information that is different from the information contained in the Offering Circulars and this Supplement. This Supplement and the Offering Circulars may only be used where it is legal to sell these Additional Notes. The information in this Supplement may only be accurate on the date of this Supplement.

This Supplement may only be used for the purposes for which it has been published.

TABLE OF CONTENTS

Page

THE ADDITIONAL NOTES OFFERING ... 1
RISK FACTORS ... 4
Risk Factors Relating to the Additional Notes ... 4
Risk Factors Relating to Ecuador ... 7
USE OF PROCEEDS ... 22
THE REPUBLIC OF ECUADOR ... 23
Territory, Population and Society ... 23
Pedernales Earthquake ... 24
Historical Background ... 26
Form of Government ... 26
Memberships in International Organizations and International Relations ... 39
THE ECUADORIAN ECONOMY ... 46
Gross Domestic Product ... 46
Economic and Social Policies ... 49
Strategic Sectors of the Economy ... 68
Other Sectors of the Economy ... 82
LEGAL PROCEEDINGS ... 92
BALANCE OF PAYMENTS AND FOREIGN TRADE ... 102
Balance of Payments ... 102
Current Account ... 106
Capital and Financial Account ... 107
International Reserves ... 108
Foreign Trade ... 109
Foreign Direct Investment ... 115
MONETARY SYSTEM ... 118
The Central Bank ... 118
Financial Sector ... 119
Banking System ... 123
Banking Sector ... 127
Cooperative Banks ... 128
Capital Markets ... 129
Interest Rates and Money Supply ... 130
Inflation ... 133
PUBLIC SECTOR FINANCES ... 135
Overview ... 135

Non-Financial Public Sector Revenues and Expenditures ... 139
Central Government Revenues and Expenditures ... 142
Taxation and Customs ... 144
Foreign Aid ... 146
Central Government Expenditures ... 146
2018 and 2019 Budgets ... 147
PUBLIC DEBT ... 148
General ... 148
External Debt ... 150
Internal Debt ... 157
Methodology for Calculating the Public Debt to GDP Ratio ... 159
Review and Audit by the Office of the Comptroller General ... 161
Organic Law for Productive Development, Investment, Employment and Fiscal Stability ... 163
IMF's Extended Fund Facility ... 165
Debt Obligations ... 168
PLAN OF DISTRIBUTION ... 184
Notice to Ecuadorian Residents ... 184
VALIDITY OF THE ADDITIONAL NOTES ... 185
GENERAL INFORMATION ... 186

APPENDIX A - Original Offering Circular dated May 30, 2017, and its supplements dated October 11, 2017 and May 31, 2019, with respect to the 2023 Notes.

APPENDIX B - Original Offering Circular dated December 13, 2016, and its supplements dated January 13, 2017 and October 11, 2017, with respect to the 2026 Notes.

The Additional 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 Excluded Indebtedness), as defined in "*Description of the Notes*" in each Offering Circular, provided that such ranking is in terms of priority only and does not require that Ecuador make ratable payments on the Additional Notes with payments made on its other External Indebtedness.

The Additional Notes will be issued in registered form only. Additional 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 Additional Notes sold in the United States, if any, 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 a common depositary for, 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 each Offering Circular) 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. Except as described herein, definitive Additional Notes will not be issued in exchange for beneficial interests in the Global Notes in each relevant Offering Circular.

The Republic has taken reasonable care to ensure that the information contained in this Supplement 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 Additional Notes, would make this Supplement as a whole or any information included in this Supplement, misleading in any material respect. The Republic accepts responsibility accordingly.

This Supplement does not constitute an offer by, or an invitation by or on behalf of, the Republic to subscribe to or purchase any of the Additional Notes. Each recipient will be deemed to have made its own investigation and appraisal of the financial condition of the Republic. The distribution of this Supplement or any part of it and the offering, possession, sale and delivery of the Additional Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Supplement comes are required by the Republic to inform themselves about and to observe any such restrictions. See "*Transfer Restrictions*" in each Offering Circular for a description of further restrictions on the offer, sale and delivery of Additional Notes, the distribution of this Supplement, and other offering material relating to the Additional Notes.

Each purchaser of the Additional Notes sold outside the United States in reliance on Regulation S will be deemed to have represented that it is not purchasing the Additional Notes with a view to distribution thereof in the United States. With respect to the offer and sale of the Additional Notes by the Republic, no Additional Notes will be offered and sold in the United States or to U.S. persons.

THE ADDITIONAL NOTES 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 Supplement and in the attached Offering Circulars, in particular in the sections entitled the "Offering" and "Description of the Notes" in each attached Offering Circular. Each series of Additional Notes will have identical terms and conditions as its respective series of Original Notes, other than the issue date and issue price as described below.

Issuer: The Republic of Ecuador.

Additional Notes Issue Amount: Additional 2023 Notes: U.S.$610,359,000. Upon issuance of the Additional 2023 Notes, the aggregate principal amount of the 2023 Notes will be U.S.$2,485,627,000.

Additional 2026 Notes: U.S.$611,870,000. Upon issuance of the Additional 2026 Notes, the aggregate principal amount of the 2026 Notes will be U.S.$2,402,870,000.

Securities Offered: U.S.$610,359,000 principal amount of 8.750% notes due 2023. Consolidated with and forming a single series, from and including the Issue Date, with the 2023 Notes issued originally on June 2, 2017 and reopened on October 16, 2017, and on May 29, 2019, in the aggregate principal amount of U.S.$1,875,268,000.

U.S.$611,870,000 principal amount of 9.650% notes due 2026. Consolidated with and forming a single series, from and including the Issue Date, with the 2026 Notes originally issued on December 13, 2016, and reopened on January 13, 2017 and on October 16, 2017, in the aggregate principal amount of U.S.$1,791,000,000.

Issue Format: Rule 144A/Regulation S; however, with respect to the offer and sale of the Additional Notes by the Republic, no Additional Notes will be offered and sold in the United States or to U.S. persons.

Issue Price: For the Additional 2023 Notes, 107.291% plus accrued interest from June 2, 2019 to but excluding August 6, 2019, which equals U.S.$15.555556 per U.S.$1,000 principal amount of 2023 Notes for a total of U.S.$1,088.465556.

For the Additional 2026 Notes, 107.026% plus accrued interest from June 13, 2019 to but excluding August 6, 2019, which equals U.S.$14.206944 per U.S.$1,000 principal amount of Notes for a total of U.S.$1,084.466944.

Issue Date: August 6, 2019.

Maturity Date: 2023 Notes: June 2, 2023.

2026 Notes: December 13, 2026.

Interest:

2023 Notes: 8.750% per annum, computed on the basis of a 360-day year of twelve 30-day months.

2026 Notes: 9.650% per annum, computed on the basis of a 360-day year of twelve 30-day months.

Interest Payment Dates:

2023 Notes: Each June 2 and December 2, commencing on December 2, 2019.

2026 Notes: Each June 13 and December 13, commencing on December 13, 2019.

Form:

The Additional Notes will be 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. Additional Notes in definitive certificated form will not be issued in exchange for the global notes except under limited circumstances.

Denominations:

The Republic will issue the Additional Notes only in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Ranking:

The Additional 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 Excluded Indebtedness), provided, that, such ranking is in terms of priority only and does not require that Ecuador make ratable payments on the Additional Notes with payments made on its other External Indebtedness.

Use of Proceeds:

The Additional Notes are being issued for the purpose of a substitution with CS Reopened Notes in accordance with the provisions of the October 2018 CS-Ecuador Repurchase Transaction (defined in this Supplement), as further described in "*Use of Proceeds*" on page 22 of this Supplement and "*The Republic of Ecuador–Public Debt–CS Repo Transaction*" on page 176 of this Supplement.

Trustee, Registrar and Transfer Agent:

The Bank of New York Mellon.

London Paying Agent and Account Bank:

The Bank of New York Mellon, London Branch.

Luxembourg Listing Agent and Luxembourg Paying Agent:

The Bank of New York Mellon SA/NV, Luxembourg Branch.

Governing Law: The Additional 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.

Further Issues: The Republic may, from time to time, without the consent of the holders of the Additional Notes, create and issue additional notes having the same terms and conditions as the Additional Notes in all respects (or in all respects except for the amount of the first interest payment and the issue price) provided that:

(a) the notes are consolidated and form a single series with the outstanding Notes, and

(b) such additional notes do not have, for purposes of U.S. federal income taxation, a greater amount of original issue discount than the outstanding Additional Notes have as of the date of the issue of such additional notes (regardless of whether any holders of such Notes are subject to U.S. federal income taxation).

RISK FACTORS

This section describes certain risks associated with investing in the Additional Notes. Investors should consult their financial and legal advisors about the risk of investing in the Additional Notes. Ecuador disclaims any responsibility for advising investors on these matters.

Risk Factors Relating to the Additional Notes

There may be no active trading market for the Additional Notes, or the trading market for the Additional Notes may be volatile and may be adversely affected by many factors.

The Additional Notes did not have any established trading market when issued, and there can be no assurance that an active trading market for the Additional Notes will develop, or, if one does develop, that it will be maintained. If an active trading market for the Additional Notes does not develop or is not maintained, investors may not be able to sell their Additional 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 Additional Notes may be adversely affected. Even if a trading market for the Additional Notes develops, the Additional 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 Additional Notes on the Official List of the Luxembourg Stock Exchange, and to have the Additional 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 Additional Notes.

The price at which the Additional Notes will trade in the secondary market is uncertain.

Application has been made to list the Additional Notes on the Official List of the Luxembourg Stock Exchange and to have the Additional Notes admitted to trading on the Euro MTF Market. No assurance can be given as to the liquidity of the trading market for the Additional Notes. The price at which the Additional Notes will trade in the secondary market is uncertain.

The Additional Notes contain provisions that allow the payment terms to be amended without the consent of all holders.

The Additional 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.

Recent 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 Additional Notes in the United States and certain other jurisdictions will be limited.

The Additional Notes 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 Additional 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 Additional Notes.

Sovereign credit ratings may not reflect all risks of investment in the Additional 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 Additional Notes. These credit ratings may not reflect the potential impact of risks relating to structure or marketing of the Additional 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.

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 Additional 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. Under United Kingdom law, the United Kingdom parliament must hold a "meaningful vote" on the withdrawal agreement before it reaches the European Union Parliament. On December 11 and 12, 2018, both the President of the European Commission and the European Union Conference of Presidents, respectively, reconfirmed that the current withdrawal agreement is the only deal possible. Despite this, on January 15, 2019, the United Kingdom Parliament rejected the proposed withdrawal agreement. On March 12, 2019, the United Kingdom Parliament held another 'meaningful vote' and once again rejected the proposed withdrawal agreement. In days following the vote, the United Kingdom Parliament voted in favor of requesting the European Union a short deadline extension. On March 21, 2019, the European Union agreed to extend the deadline until May 22, 2019, provided the United Kingdom Parliament approved the withdrawal agreement by April 12, 2019. Not having approved the withdrawal agreement, on April 11, 2019 a new deadline extension until October 31, 2019 was agreed between the European Union and the United

Kingdom. As of the date of this Supplement, the United Kingdom Parliament has not approved the withdrawal agreement. 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 Additional 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 Additional Notes.

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 as *pasivos contingentes* ("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 Additional 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.

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 Ecuadorian government (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 Additional 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 Additional 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 Additional 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 *Contraloría General del Estado* ("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 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 *Ministerio de Economía y Finanzas* ("Ministry of Economy and Finance"), the *Banco Central del Ecuador* (the "Central Bank") and the *Secretaría Nacional de Planificación y Desarrollo* ("SENPLADES"). On January 8, 2018, the Comptroller General announced the creation of a citizenship 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 (the "Citizen Oversight Commission"), to observe the procedures and methodology relating to the Republic's incurrence of debt from January 2012 through May 2017. 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 citizenship oversight commission supported the Office of the Comptroller General during the audit process. 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 executive decree No. 1218 ("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 *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 *Asamblea Nacional de la República del Ecuador* (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 *Empresa Pública de Hidrocarburos del Ecuador, EP Petroecuador* ("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 *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.

While there is no indication that the conclusions of the CGR Audit Report have had an impact on the market value of the Additional 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 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 June 21, 2018, the National Assembly passed 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") 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 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such public debt ceiling will not apply. This new law provides that for the period from 2018 to 2021, a fiscal stability plan will be implemented by the Ministry of Economy and Finance. 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.

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 will be required to publish public debt figures calculated using the New Methodology going back to October 2010. Once these past public debt figures are published using the New Methodology, those numbers may vary from the public debt figures presented in this Supplement 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 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, see "*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; and (ii) five ongoing examinations, including an examination of the contracts with service providers (including lawyers, banks, financial agents and other firms) involved in public debt transactions; an examination regarding the GSI Loan Facility, the Gold Derivative Transaction and the Bond Derivative Transaction, see "*Public Debt—GSI Loan Facility*;" an examination regarding the Republic's use of shares of public banks to pay the Central Bank of Ecuador; an examination on the entry, registration and use of funds from oil presale contracts; and a follow-up examination on the application of the recommendations under the CGR Audit Report.

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 the total public debt, instead of short-term securities with a term of "up to 360 days" as it was set forth in Decree 1218. Pursuant to Decree 537, Decree 1218 was repealed in its entirety on October 30, 2018, when Decree 537 was published, 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 their indictment, the court will hold a hearing to call the alleged offenders to trial. The alleged offenders will not be considered criminally liable unless and until the court determines, after a trial, that the offenders are criminally liable.

Any series of notes issued by the Republic (including the Additional 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, 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 with 39.36% of the vote and Guillermo Lasso of the CREO - SUMA party, came in second with 28.09% of the vote. 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. Since no candidate gained an outright victory of 50% of the vote or at least 40% of the vote with an additional ten points of advantage over the candidate in second place for the presidential election, 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. The *Consejo Nacional Electoral* (the "National Electoral Council" or "CNE") declared President Moreno president elect on April 4, 2017. 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. On April 13, 2017, CNE approved the recount of approximately 11.2% of the total ballots cast in the run-off election due to a claim of alleged inconsistencies by CREO-SUMA and Alianza PAIS. On April 18, CNE broadcast a live recount of the ballots subject to the claim. International observers, political delegates of Alianza PAIS and representatives of social organizations monitored the recount. The recount ratified President Moreno as the winner of the run-off election with 51.16% of the votes. President Moreno assumed the presidency 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 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 *Comisión de Fiscalización* (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.

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.

For more information on presidential term limits, see "*The Republic of Ecuador—Form of Government*." A return to an unstable political environment could significantly affect Ecuador's economy and Ecuador's ability to perform its obligations under the Additional 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 Additional Notes, may adversely affect the liquidity of, and trading markets for, the Additional Notes. See "*Forward-Looking Statements*" for further information on factors that may affect the Additional 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 Additional 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 Additional 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.$50.05 per barrel as estimated by the 2019 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 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 May 31, 2019, 88.2% of Ecuador's petroleum exports by destination were to four countries: the United States (37.5%), Panama (26.1%), Chile (15.2%) and Peru (9.4%). 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 barrels per day ("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 May 2019, Petroamazonas produced 417,636 bpd compared to its initial goal of 421,397 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 will be 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. As of the date of this Supplement, Ecuador's current quota is 515,000 bpd.

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 *Empresa Coordinadora de Empresas Públicas* ("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 Additional 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 14.8% and 15.0% of Ecuador's total exports for 2018, 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 Additional 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 Additional 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 Additional 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 Additional 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 Additional 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 offering 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 offering includes that the Initial Purchasers in the offering could be said to have an obligation to pay the offering 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 Additional 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 Additional 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 Additional Notes. As of the date of this Supplement, 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 Noteholders.

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 Additional 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, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability*", and provides that for the period from 2018 to 2021 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such public debt ceiling will not apply. This new law provides that for the period from 2018 to 2021, a fiscal stability plan will be implemented by the Ministry of Economy and Finance. 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.

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 will be required to publish public debt figures calculated using the New Methodology going back to October 2010. Once these past public debt figures are published using the New Methodology, those numbers may vary from the public debt figures presented in this Supplement 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.

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 June 2019 Debt Bulletin, the aggregate public debt to GDP ratio as of June 30, 2019 was 51.23%, a 5.13% increase compared to a 46.10% aggregate public debt to GDP ratio as of June 30, 2018 under the prior methodology. In the same bulletin, the Ministry of Economy and Finance also disclosed public aggregate and consolidated debt figures under the New Methodology for the three months prior to April 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, and May 31, 2019, were, respectively, 51.14%, 50.72%, 51.34%, 51.13% and 51.05%. These correspond to respective increases as compared to the aggregate public debt to GDP ratio under the prior methodology of 4.61%, 4.28%, 4.41%, 4.35% and 4.08%. 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 Noteholders 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 next 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.*" Failure by the Republic to successfully implement said policy plan and meet the performance criteria, targets and benchmarks 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 2023 Notes and 2026 Notes.

USE OF PROCEEDS

The Additional Notes are being issued to be transferred to CS (defined in "*The Republic of Ecuador—Public Debt—CS Repo Transaction*" below) in consideration for: (1) the return to the Republic of the CS Reopened Notes which will be subsequently cancelled by the Republic, and (2) the periodic return to the Republic of interest amounts payable on the Additional Notes in accordance with the October 2018 CS-Ecuador Repurchase Agreement. For more information regarding the terms of the October 2018 CS-Ecuador Repurchase Agreement, see *"The Republic of Ecuador—Public Debt—CS Repo Transaction.*"

In accordance with the terms of the October 2018 CS-Ecuador Repurchase Agreement, there are no cash proceeds for this offering; instead, the offering represents the substitution of the Additional Notes for the equivalent value of prior securities issued by the Republic.

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 2019, the total population of Ecuador is approximately 17.3 million. Approximately 49.4% of the population live in the Pacific coastal plains, 44.8% live in the Andean highlands, 5.4% 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 63.8% of the population is urban. Quito, the country's capital, is the largest city with 2.69 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 2.67 million. Cuenca is the third largest city with 0.61 million inhabitants, and is also located in the Andean highlands. 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

	2014	2015	2016	2017	2018	2019
Total population (*million*)	16.0	16.3	16.5	16.7	17.0	17.3
Female (%)	50.5	50.5	50.5	50.5	50.5	50.5
Male (%)	49.5	49.5	49.5	49.5	45.5	49.5
Urban (%)	63.3	63.4	63.6	63.7	63.8	63.9
Rural (%)	36.7	36.6	36.4	36.3	36.2	36.1
Functional age groups (%)						
Child (0–14)	31.1	30.7	30.3	29.9	29.5	29.1
Adult (15–64)	62.2	62.5	62.8	63.1	63.3	63.6
Elderly (65+)	6.7	6.8	6.9	7.0	7.2	7.4
Demographic Indicators						
Average Annual Growth (%)	1.6	1.6	1.5	1.6	1.5	1.4
Birth Rate (per thousand) [1]	18.1	17.7	16.5	17.2	n/a	n/a
Infant Mortality Rate (per 1,000 live births)	8.5	8.9	9.2	9.7	n/a	n/a
Fertility Rate (per woman)	2.6	2.5	2.5	n/a	n/a	n/a
Average Life Expectancy (*age*)[1]						
Female	78.8	79.1	79.3	79.5	n/a	n/a
Male	73.2	73.4	73.7	73.9	n/a	n/a
Overall	76.0	76.2	76.5	76.7	n/a	n/a

Source: Based on data from INEC. 2018 and 2019 figures based on INEC projections.

[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 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.

On February 21, 2019, the Law of Solidarity was amended by the Organic Law Reforming the Organic Code of Production, Trade and Investment, and the Organic Law of Solidarity. For further information on the amendments to the Law of Solidarity, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law Reforming the Organic Code of Production, Trade and Investment, and the Organic Law of Solidarity*."

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 *Corporación Andina de Fomento* ("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 Supplement, 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 with Jorge Glas as vice president 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 with 39.36% of the vote and Guillermo Lasso of the CREO - SUMA party, came in second with 28.09% of the vote. 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. Since no candidate gained an outright victory of 50% of the vote or at least 40% of the vote with an additional ten points of advantage over the candidate in second place for the presidential election, 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. The CNE declared President Moreno president elect on April 4, 2017. Both the OAS and the UNASUR monitored the elections and recognized the transparency of the electoral process and the election results. On April 13, 2017, CNE approved the recount of approximately 11.2% of the total ballots cast in the run-off election due to a claim of alleged inconsistencies by CREO-SUMA and Alianza PAIS. On April 18, CNE broadcast a live recount of the ballots subject to the claim. International observers, political delegates of Alianza PAIS and representatives of social organizations monitored the recount. The recount ratified President Moreno as the winner of the run-off election with 51.16% of the votes. President Moreno assumed the presidency 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.

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 named Carlos Alberto de la Torre Muñoz as the Minister of Finance, Pablo José Campana Sáenz as the Minister of Foreign Trade and Verónica Artola Jarrín as General Manager of the Central Bank. 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.

On May 24, 2017, President Moreno merged the *Ministerio de Coordinación y Politica Económica* (the "Ministry of Coordination and Economic Politics") and the *Ministerio de Finanzas* (the "Finance Ministry") which became the Ministry of Economy and Finance. President Moreno abolished the following coordinating ministries by executive decree: the *Secretaría del Buen Vivir* (the "Secretariat for the National Development"), the *Secretaría Nacional de la Administración* (the "National Secretariat of Administration"), the *Ministerio de Coordinación de la Producción, Empleo y Competitividad* (the "Ministry for the Coordination of Production, Employment and

Competitiveness"), the *Ministerio de Sectores Estratégicos* (the "Ministry of Strategic Sectors"), the *Ministerio de Seguridad* (the "Ministry of Security") and the *Ministerio del Conocimiento y Talento Humano* (the "Ministry of Knowledge and Human Talent"). In the executive decree, President Moreno established that the coordination for the planning, formulation and implementation of the policy, programs and projects of the ministries and entities that form part of the sectorial councils, corresponding to the abolished coordinating ministries, will be assumed by the *Consejero de Gobierno* (the "Government Counselor") or the Minister designated by the President, who will act as president and coordinator of the respective sectorial council and whose responsibilities will be determined by the President. Once the Ministry of Strategic Sectors was abolished, each respective ministry formerly under its oversight assumed those functions of the Ministry of Strategic Sectors within the scope of each ministry. President Moreno created the Ministry of Aquaculture, separating these activities from what was formerly known as the Ministry of Agriculture, Livestock, Aquaculture and Fishing, as well as the *Secretaría Técnica del Programa de Toda una Vida* (the "Technical Secretariat for Affordable Housing, Development and Youth Employment").

In addition, during his inaugural presidential speech and based on his party's platform, President Moreno set forth the following plans for his administration formalized on September 22, 2017, through the National Development Plan approved by the *Consejo Nacional de Planificación* (the "National Council for Planning"):

- guarantee a dignified life with equal opportunities for all persons through attaining certain goals by 2021, including reducing extreme poverty measured by income from 8.7% to 3%, increasing the number of individuals between ages 18 to 29 with a high school diploma from 63% to 65% and reducing the rate of juvenile unemployment for those between ages 18 and 29 from 10.4% to 8.39%;

- affirm interculturality and plurinationality, placing greater value on diverse identities with the goal of increasing the percentage of the indigenous population that speaks their native tongue from 67.8% to 79% by 2021;

- guarantee the rights of current and future generations to access nature including maintaining 16% of the national territory under environmental conservation or environmental care by 2021;

- implement a sustainable social and economic system based on solidarity and strengthen dollarization including increasing the number of microcredit loans and decreasing the non-financial public sector deficit by 2021;

- incentivize productivity and competitiveness for sustainable economic growth in a manner that is based on solidarity and redistribution including the pursuit of certain goals to be realized by 2021, for example increasing exports of agricultural and agribusiness products by 33%, increasing the generation of energy though renewable energy resources from 60% to 90% and increasing savings of combustibles through the optimization of the generation of electric and efficient energy;

- develop productive capacities to accomplish food sovereignty and integral rural development including reducing the incidence of poverty measured by income in rural areas from 38.2% to 31.9% by 2021;

- incentivize a participatory society with a Government close to the citizenry including increasing the index of perception of the quality of public services from 6.6 to 9 by 2021;

- promote transparency and joint responsibility for social ethics including improving the index of perception regarding corruption and transparency in the public and private sectors; and

- guarantee peace and sovereignty and strategically position Ecuador in the region and in the world with the goal to eliminate mine pollution in border geographic areas by 2021.

On July 28, 2017, President Moreno set forth the following plans for immediate execution:

- promote legislation intended to foster and improve the construction sector by revising the Law to Eliminate Speculation on Land Values and Tax Fixing in order to disincentive price speculation in real estate;

- incentivize investment and foreign exchange income through a bill that allows repatriation of capital belonging to those who hold capital abroad;

- encourage the use of electronic money in coordination with the national financial system;

- in line with austerity measures, optimize the use of national resources mainly in the hiring of personnel, consulting, publicity, vehicles and travel; and

- channel public investment towards efforts that are strictly necessary.

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 Industry and Productivity 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.

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.

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 "*Casa para Todos*" project (the "Housing for All Project") to generate employment and grant access to housing to the poorest families in the country. The Housing for All Project 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 Project 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.

For further information on laws that were passed as a result of the national referendum and popular consultation, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law Repealing the Organic Law to Eliminate Speculation on Land Values and Tax Fixing*", "*The Ecuadorian Economy—Economic and Social Policies—Organic Law Reforming the Organic Law of the Council for Citizen Participation and Social Control*", and "*The Ecuadorian Economy—Economic and Social Policies—The 2008 Constitution.*"

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 Andean Development Corporation and the Inter-American Development Bank, 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.

On April 19, 2018, by executive decree, President Moreno merged the *Ministerio de Educación* (the "Ministry of Education"), the *Ministerio de Deporte* (the "Ministry of Sport") and the *Instituto de Idiomas, Ciencias y Saberes Ancestrales* (the "Institute of Languages, Sciences and Ancestral Knowledge") which became the *Ministerio de Educación y Deportes* (the "Ministry of Education and Sports"). A 90-day period was established for the implementation of this merger. On June 14, 2018, by executive decree, President Moreno rendered the merging of the Ministry of Education and Sports without effect. Instead, the Ministry of Education merged with the Institute of Languages, Sciences and Ancestral Knowledge to become the Ministry of Education, and converted the Ministry of Sports into the *Secretaría del Deporte* (the "Secretariat of Sports").

On May 15, 2018, by executive decree, President Moreno merged the *Ministerio de Hidrocarburos* (the "Ministry of Hydrocarbons"), the *Ministerio de Electricidad y Energía Renovable* (the "Ministry of Electricity and Renewable Energy"), the *Ministerio de Minería* (the "Ministry of Mining") and the *Secretaría de Hidrocarburos* (the "Secretariat of Hydrocarbons") to become the *Ministerio de Energía y Recursos Naturales No Renovables* (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. On September 20, 2018, by executive decree No. 517, President Moreno confirmed Carlos Pérez in his post as Minister of Energy and Non-Renewable Natural Resources.

On August 21, 2018, President Moreno announced a new round of austerity measures, which include a further reduction in the number of Ministries, to 20 from 40 when he became president. The *Ministerio de Industrias y Productividad* (the "Ministry of Industries and Productivity") was merged with the *Ministerio de Comercio Exterior e Inversiones* (the "Ministry of Foreign Trade and Investments"), the *Ministerio de Justicia* ("Ministry of Justice") and the *Secretaría de Gestión de Riesgos* ("Secretariat for Risk-Management") were merged with the *Ministerio de Defensa* ("Ministry of Defense"), the *Secretaría del Agua* ("Secretariat for Water") was merged with the *Ministerio del Ambiente* ("Ministry of the Environment"), and the *Servicio Nacional de Aduanas* ("National Customs Service"), will be merged with the *Servicio de Rentas Internas* ("Internal Revenue Service"). Additionally, the *Instituto Espacial Ecuatoriano* ("Ecuadorian Space Institute"), the *Secretaría Técnica del Comité Nacional de Límites Internos* ("Secretariat for Internal Boundaries") and the *Secretaría Nacional de Comunicación*

(“National Secretariat of Communication”) were eliminated. These measures were implemented through several executive decrees, as described below.

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.

On September 20, 2018, by executive decree No. 520, President Moreno merged the Ministry of Foreign Trade and Investments, the Ministry of Industries and Productivity and the *Instituto de Promoción de Exportaciones e Inversiones Extranjeras* (the “Institute for the Promotion of Foreign Exports and Investments”) to become the *Ministerio de Producción, Comercio Exterior e Inversiones* (the “Ministry of Production, Foreign Trade and Investment”). Additionally, the *Ministerio de Acuacultura y Pesca* (the “Ministry of Aquaculture and Fisheries”) would be downsized to a secretariat within the Ministry of Production, Foreign Trade and Investment. A 60-day period was established for the implementation of the merger and downsizing. However, on November 14, 2018, by executive decree No. 559 derogating executive decree No. 520, President Moreno re-issued the order to merge the abovementioned ministries into the new Ministry of Production, Foreign Trade and Investment, this time rendering ineffective the downsizing of the Ministry of Aquaculture and Fisheries by instead merging it into the new ministry and establishing a new 60-day period to complete the merger. This merger became effective in January 2019, resulting in the *Ministerio de Producción, Comercio Exterior, Inversiones y Pesca* (“Ministry of Production, Foreign Trade, Investments and Fisheries.”). On January 11, 2019, by executive decree No. 636, President Moreno created three vice ministries under the new Ministry of Production, Foreign Trade, Investments and Fisheries, one for each of the three eliminated agencies, and designated Pablo Campana as the new Minister of Production, Foreign Trade, Investment and Fisheries to oversee them.

President Moreno merged, by executive decrees dated September 21, 2018 and October 3, 2018, the Ministry of the Environment and the Secretariat for Water, and downsized the Secretariat for Risk-Management and the *Secretaría de Inteligencia* (“Secretariat of Intelligence”) to the *Servicio Nacional de Gestión de Riesgos* (“National Service for Risk Management”) and the *Centro de Inteligencia Estratégica* (“Center of Strategic Intelligence”), respectively. On October 11, 2018, by executive decree, President Moreno eliminated the National Secretariat of Communication, delegating all its competencies to the *Secretaría de Comunicación de la Presidencia* (“Secretariat of Communication of the Presidency”).

Also on November 14, 2018, President Moreno decreed the transformation of the *Ministerio de Justicia, Derechos Humanos y Cultos* (“Ministry of Justice, Human Rights and Religions”) into the *Secretaría de Derechos Humanos* (“Secretariat for Human Rights”), the creation of the *Servicio Nacional de Atención Integral a Personas Adultas Privadas de la Libertad y a Adolescentes Infractores* (“National Service for Integral Assistance to Adults Deprived of their Liberty and Young Offenders”), and the transfer of some of the Secretariat of Human Rights’ competencies to the National Service for Integral Assistance to Adults Deprived of their Liberty and Young Offenders. As decreed by President Moreno in the executive decree No. 631 dated January 4, 2019, the transformation became effective on January 14, 2019. The transfer of competencies to the National Service for Integral Assistance to Adults Deprived of their Liberty and Young Offenders was completed by February 14, 2019.

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 No. 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 executive decree No. 619 on the shrimp sector.

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.

As part of the government's efforts to restructure and optimize the country's public sector under the Prosperity Plan, 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. *Corporación Nacional de Telecomunicaciones* (the "National Telecommunications Corporation" or the "CNT") and Petroecuador presented their plans to lay off 795 and 444 employees, respectively. On April 29, 2019, the CNT announced it had laid off approximately 700 of its 7,714 employees which it expects will result in U.S.$15 million in annual savings.

On March 13, 2019, the *Ministerio de Trabajo* ("Ministry of Employment") revealed that between December 2018 and February 2019, the government had 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 employment contracts.

On March 28, 2019, President Moreno issued decree 709 ("Decree 709") unwinding the merger of the Secretariat for Water into the Ministry of the Environment, and assigning the *Instituto de Meteorología e Hidrología* (the "Meteorology and Hydrology Institute") to the Secretariat for Water. On April 11, 2019, President Moreno issued decree No. 714 ("Decree 714") ordering the elimination of the Ecuadorian Space Institute within 90 days from the date of the decree and the transfer of its rights, obligations, assets, liabilities and budgetary assignments to the *Instituto Geográfico Militar* (the "Military Geographic Institute").

On April 11, 2019, by executive decree No. 718 ("Decree 718"), President Moreno ordered the merger of the *Secretaría Nacional de Gestión de la Política* ("National Secretariat of Politics Management") into the *Ministerio del Interior* ("Ministry of the Interior") which has become the *Ministerio de Gobierno* ("Ministry of Government").

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 July 3, 2019, President Moreno made changes to his cabinet by appointing six ministers and six secretaries to the Ministry of Telecommunications, Ministry of Culture, Ministry of Education, Ministry of Production, Foreign Trade, Investments and Fisheries, Ministry of Labor and the Secretariat of Human Rights, among others.

The following table shows the composition of the National Assembly as of the date of this Supplement:

Political Party	Number of Members
Alianza PAIS	42
Fuerza EC	1
Independientes	6
Izquierda Democrática	1
Movimiento CREO	27
Movimiento SUMA	4
Movimientos Provinciales	4
Pachakutik	5
Partido Social Cristiano	16
Sociedad Patriótica	2
Other political groups	29
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 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 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) 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 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such public debt ceiling will not apply. This new law provides that for the period from 2018 to 2021, a fiscal stability plan will be implemented by the Ministry of Economy and Finance. 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 will be required to publish public debt figures calculated using the New Methodology going back to October 2010. Once these past public debt figures are published using the New Methodology, those numbers may vary from the public debt figures presented in this Supplement 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; and (ii) five ongoing examinations, including an examination of the contracts with service providers (including lawyers, banks, financial agents and other firms) involved in public debt transactions; an examination regarding the GSI Loan Facility, the Gold Derivative Transaction and the Bond Derivative Transaction, see "*Public Debt—GSI Loan Facility*;" an examination regarding the Republic's use of shares of public banks to pay the Central Bank of Ecuador; an examination on the entry, registration and use of funds from oil presale contracts; and a follow-up examination on the application of the recommendations under the CGR Audit Report.

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 the total public debt, instead of short-term securities with a term of "up to 360 days" as it was set forth in Decree 1218. Pursuant to Decree 537, Decree 1218 was repealed in its entirety on October 30, 2018, when Decree 537 was published, 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 their indictment, the court will hold a hearing to call the alleged offenders to trial. The alleged offenders will not be considered criminally liable unless and until the court determines, after a trial, that the offenders are criminally liable.

Any series of notes issued by the Republic (including the Additional 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 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.

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 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.

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 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 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: "[t]he 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 "[t]he 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, 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 next three years from six other multilateral agencies and development banks. As noted in the IMF's press release dated February 21, 2019, "[t]he 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 next 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 Inter-American Development Bank; 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 French Development Agency. 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 General Manager of the Central Bank of Ecuador presented the IMF with a letter of intent ("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, "[t]he 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 concluded its Article IV consultation with Ecuador, and the IMF published its Article IV staff report.

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. See "*Public Debt—IMF's Extended Fund Facility.*"

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, on May 24, 2019, and on May 28, 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 US$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 following months, the Republic expects to enter into a U.S.$150 million loan agreement with the French Development Agency and a U.S.$640 million loan with the Latin American Reserve Fund. Separately, the World Bank has provided project level financing 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. See "*The Ecuadorian Economy—Strategic Sectors—Transportation*," and "*Monetary System—the Central Bank.*"

On March 12, 2019, the Minister of Economy and Finance of Ecuador presented in Paris before the Organization for Economic Co-operation and Development (the "OECD") the Republic's application to become member of the organization's Development Centre. As part of the agreed roadmap to become a member, the Republic will become signatory to several OECD instruments on various subjects such as anti-bribery and foreign investment, will participate in OECD's regional program for Latin America and the Caribbean and will produce a country-level so-called Multidimensional Assessment with emphasis on productivity. On May 21, 2019, Ecuador officially 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 entered into force. 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 entrance into force of its 1998 Constitution, Ecuador formally 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, Ecuador 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. As of the date of this Supplement, Ecuador's Ambassador to Venezuela remains in Ecuador and a Third Secretary in Ecuador's diplomatic rank is the highest ranking diplomat representing Venezuela.

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 "Brexit." 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 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.

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.

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. It was reported that negotiations with Ecuador, among others, would start after the current round of negotiations with Canada, Singapore, Australia and New Zealand.

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 is 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 is 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 is 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.$108,398 million representing an 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 quarter of 2019 was U.S.$17,921 million, compared to U.S.$17,817 million in 2018, representing a 0.6% increase in real terms. This increase is mainly due to a 3.5% increase in exports, 1.0% increase in household consumption expenditure, and a 0.3% increase in government consumption expenditure. In the first three months of 2019, the nominal GDP reached U.S.$27,245 million representing an increase from U.S.$26,894 million for the first three months of 2018.

Inflation increased from -0.71% for the 12-month period ended June 30, 2018 to 0.61% for the 12-month period ended June 30, 2019. This increase was primarily due to an increase in prices mainly in the transportation, education, alcoholic beverages, tobacco and narcotics sectors, despite a decrease in prices in the apparel, footwear and home furniture sectors.

Real and Nominal GDP

(in millions of U.S. dollars, except percentages)

	For the Year Ended December 31,					As of March 31,	
	2014	2015	2016	2017	2018	2018	2019
Real GDP (in millions of U.S.$)	70,105	70,175	69,314	70,956	71,933	17,817	17,921
Real GDP growth	3.8%	0.1%	-1.2%	2.4%	1.4%	1.8%	0.6%
Nominal GDP	101,726	99,290	99,938	104,296	108,398	26,894	27,245

Source: Based on figures from the Central Bank Quarterly National Accounts for the First Quarter of 2019.

Nominal GDP by Economic Sector [1]

(in millions of U.S. dollars, except for percentages)

	For the Year Ended December 31,										As of March 31,	
	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	3,544	3,588
Construction	10,891	10.71	11,125	11.20	11,976	11.98	12,087	11.59	12,239	11.29	3,052	3,010
Petroleum and mining	11,267	11.08	4,691	4.72	3,800	3.80	5,024	4.82	6,049	5.58	1,428	1,507
Trade (commerce)	10,545	10.37	10,218	10.29	9,632	9.64	9,960	9.55	10,452	9.64	2,594	2,625
Agriculture	8,122	7.98	8,406	8.47	8,441	8.45	8,533	8.18	8,791	8.11	2,240	2,253
Community services	7,833	7.70	8,489	8.55	8,777	8.78	9,280	8.90	9,888	9.12	2,399	2,482
Government services[3]	6,682	6.57	6,660	6.71	6,885	6.89	7,062	6.77	7,164	6.61	1,734	1,720
Administrative activity[4]	7,016	6.90	6,887	6.94	6,574	6.58	7,072	6.78	8,122	7.49	2,005	2,058
Transportation	4,338	4.26	4,773	4.81	5,414	5.42	5,387	5.17	5,364	4.95	1,335	1,319
Finance and insurance	3,166	3.11	3,165	3.19	3,073	3.07	3,536	3.39	3,762	3.47	904	962
Telecommunications	2,127	2.09	1,984	2.00	1,916	1.92	1,932	1.85	1,982	1.83	487	486
Electricity and water	1,253	1.23	1,509	1.52	1,685	1.69	1,826	1.75	1,772	1.63	452	493
Shrimp	563	0.55	445	0.45	501	0.50	660	0.63	725	0.67	183	196
Others [5]	14,208	13.97	17,427	17.55	17,670	17.68	18,070	17.33	17,865	16.48	4,537	4,545
Total GDP	**101,726**	**100**	**99,290**	**100**	**99,938**	**100**	**104,296**	**100**	**108,398**	**100**	**26,894**	**27,245**

Source: Based on information from the Central Bank for the first 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,					As of March 31,	
	2014	2015	2016	2017	2018	2018	2019
Real GDP Growth	3.8	0.1	-1.2	2.4	1.4	1.8	0.6
Import of goods & services [1]	4.8	-8.2	-9.6	12.2	5.8	9.4	0.7
Total Supply of Goods & Services	**4.0**	**-1.9**	**-3.1**	**4.4**	**2.4**	**3.5**	**0.6**
Public Sector Consumption	6.7	2.1	-0.2	3.2	2.9	1.4	0.3
Private Consumption	2.7	-0.1	-2.4	3.7	2.7	2.6	1.0
Gross Fixed Capital Formation	2.3	-6.2	-8.9	5.3	2.1	4.2	-2.3
Exports of goods and services[1]	6.2	-0.6	1.4	0.7	0.9	1.4	3.5
Total Final Demand	**4.0**	**-1.9**	**-3.1**	**4.4**	**2.4**	**3.5**	**0.6**

Source: Based on figures from the Central Bank Quarterly National Accounts for the First 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	6,368
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 May 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,					As of March 31,	
	2014	2015	2016	2017	2018	2018	2019
Consumption							
Public Sector Consumption	10,252.3	10,471.8	10,453.9	10,790.0	11,104.4	2,707.1	2,714.1
Private Consumption	43,088.8	43,049.2	42,011.6	43,577.6	44,733.7	11,042.7	11,149.1
Total Consumption	53,341.2	53,521.0	52,465.5	54,367.6	55,838.1	13,749.7	13,863.2
Gross Investment							
Gross Fixed Capital Formation	18,626.3	17,465.3	15,917.1	16,762.3	17,110.8	4,275.3	4,175.2
Change in Inventory	471.2	-123.1	-568.2	388.0	559.2	153.7	106.0
Exports of goods and services[1]	19,342.0	19,218.8	19,491.9	19,631.7	19,798.8	4,943.0	5,118.2
Imports of goods and services [1]	21,675.4	19,907.4	17,992.2	20,193.8	21,374.0	5,304.8	5,342.1
Real GDP	70,105.4	70,174.7	69,314.1	70,955.7	71,932.8	17,816.9	17,920.5

Source: Based on figures from the Central Bank Quarterly National Accounts for the First 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 Supplement.

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.

The 2017 Election was held on April 2, 2017, with former President Correa not eligible to run due to the transitory disposition of the 2015 constitutional amendment which delayed the effectiveness of the elimination of term limits to after the date of the 2017 Election. President Moreno was elected with 51.16% of the vote. The CNE declared President Moreno as president elect on April 4, 2017. Both the OAS and UNASUR monitored the elections and recognized the transparency of the electoral process and the election results. On April 13, 2017, CNE approved the recount of approximately 11.2% of the total ballots cast in the run-off election due to a claim of alleged inconsistencies by CREO-SUMA and Alianza PAIS. On April 18, 2017 CNE broadcast a live recount of the ballots subject to the claim. International observers, political delegates of Alianza PAIS and representatives of social organizations monitored the recount. The recount ratified President Moreno as the winner of the run-off election with 51.16% of the votes. President Moreno assumed the post of President of Ecuador on May 24, 2017 with Jorge Glas as vice president for a four-year term. The National Assembly then elected María Alejandra Vicuña Muñoz as the vice president of Ecuador until 2021. María Alejandra Vicuña Muñoz resigned her post on December 4, 2018, following the start of a criminal investigation against her into alleged corrupt acts. Economist Otto Ramón Sonnenholzner Sper was appointed as the new vice president by the National Assembly on December 11, 2018.

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.*"

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 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such public debt ceiling will not apply. This new law provides that for the period from 2018 to 2021, a fiscal stability plan will be implemented by the Ministry of Economy and Finance. 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 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 will be required to publish public debt figures calculated using the New Methodology going back to October 2010. Once these past public debt figures are published using the New Methodology, those numbers may vary from the public debt figures presented in this Supplement 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.

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.

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 the total public debt, instead of short-term securities with a term of "up to 360 days" as it was set forth in Decree 1218. Pursuant to Decree 537, Decree 1218 was repealed in its entirety on October 30, 2018, when Decree 537 was published, 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 their indictment, the court will hold a hearing to call the alleged offenders to trial. The alleged offenders will not be considered criminally liable unless and until the court determines, after a trial, that the offenders are criminally liable.

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 aiming 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. This draft bill is expected to be presented to the President in the weeks following this Supplement.

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.

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*."

Production Code

Enacted in December 2010, the Production Code was created to stimulate investment and increase the production of goods and services. The objective of this law was to create fair guidelines that would balance workers' rights with economic incentives for investors. To achieve that objective, the Production Code:

- provides guidelines for the *Consejo Nacional de Salarios* ("National Council on Wages") to consider in setting the minimum wage;
- provides guidelines for foreign investments and outlines the rights of foreign investors; and
- creates tax incentives for investors, including a 3% reduction on capital gains tax and the elimination of up-front taxes on any new investment.

On February 21, 2019, the Production Code was amended by the *Ley Orgánica Reformatoria al Código Orgánico de la Producción, Comercio e Inversiones, para el Establecimiento de Polos de Desarrollo; y, a la Ley*

Orgánica de Solidaridad y Corresponsabilidad Ciudadana para la Reconstrucción y Reactivación de las Zonas Afectadas por el Terremoto del 16 de Abril de 2016 ("Organic Law Reforming the Production Code for the Establishment of Development Zones, and the Organic Law of Solidarity"). For further information on the amendments to the Production Code, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law Reforming the Production Code for the Establishment of Development Zones, and the Organic Law of Solidarity*."

Law for Market Power Control and Regulation

Enacted in October 2011, the *Ley Orgánica de Regulación y Control del Poder de Mercado* ("Law for Market Power Control and Regulation") was created to avoid, reform and penalize the abuse of market power. The objectives of the law were to prevent, prohibit and penalize collusive deals and other restrictive practices; control and regulate economic concentration operations; and prevent, prohibit and penalize disloyal practices, thereby seeking market efficiency as well as individual and collective well-being.

Environmental Improvement and State Resources Optimization Law

In November 2011, the Republic published and made effective the *Ley de Fomento Ambiental y Optimización de los Recursos del Estado* ("Environmental Improvement and State Resources Optimization Law") to strengthen the environmental regulatory framework of the country. The law establishes, among others:

- an increase of the *Impuesto a la Salida de Divisas* ("Currency Outflow Tax"), from 2% to 5% (for more information regarding the Currency Outflow Tax see "*Balance of Payments and Foreign Trade—Foreign Trade—Trade Policy*");
- a tax increase on cigarettes and alcoholic beverages;
- the creation of a two-cent tax on plastic bottles; and
- the creation of a vehicle pollution tax.

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.

Comprehensive Law of Redistribution of Income for Social Expenditures

Enacted in December 2012 and became effective in January 2013, the *Ley Orgánica de Redistribución de los Ingresos para el Gasto Social* ("Comprehensive Law of Redistribution of Income for Social Expenditures") was created to direct economic resources towards the financing of certain key social expenditures that generate economic activity. For more information on this law, which includes tax reforms, see "*Public Sector Finances—Taxation and Customs*."

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 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.

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, 2019, before Resolution No. 302-2016-F was issued, Ecuador's financial institutions held U.S.$5,152.5 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 June 30, 2019, Ecuador's financial institutions held U.S.$4,470.5 million in reserves at the Central Bank.

Telecommunications Law

Enacted by the National Assembly in February 2015, the *Ley Orgánica de Telecomunicaciones* ("Telecommunications Law") was created to improve access to quality telecommunications services and to increase the use of information technology in rural sectors. The objective of the law was to foster competition among telecommunication providers in order to increase the quality of telecommunication services in the country. The law applies to all companies that provide or facilitate the transmission of voice, video, data or any other type of signal via physical or wireless means. Under the Telecommunications Law, companies whose market share exceeds certain thresholds must pay a corresponding tax to the Government, which tax increases depending on the percentage of market share held. For example, companies that hold a market share higher than 75% must pay the Government a tax equal to 9% of their total revenues for the year. In addition, the law provides that telecommunications companies must provide their services in Shuar and Quechua as well as in Spanish.

Labor, Justice and Home Maker Recognition Law

Enacted in April 2015, the *Ley Orgánica para la Justicia Laboral y Reconocimiento del Trabajo en el Hogar* (the "Labor Justice and Home Maker Recognition Law") amends certain laws related to Ecuador's social security system. Under the Labor Justice and Home Maker Recognition Law, homemakers previously ineligible to receive social security benefits can now enroll and receive benefits as a result of disability or old age. In addition, the law eliminates mandatory contributions to the social security system by the Government. Instead, the law establishes a Government guarantee to finance the social security system only when the contributions from employers and employees are insufficient to meet the resources required in a particular year.

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 of Solidarity

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 in an effort to reallocate public funds other than those for health and education, toward reconstruction effort resulting from the Pedernales Earthquake. The Law of Solidarity includes the following measures:

- increasing the value added tax by 2% (from 12% to 14%) for one year from June 1, 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, this 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.

On February 21, 2019, the Law of Solidarity was amended by the Organic Law Reforming the Production Code for the Establishment of Development Zones and the Organic Law of Solidarity. For further information on the amendments to the Law of Solidarity, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law Reforming the Production Code, for the Establishment of Development Zones and the Organic Law of Solidarity*."

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.

Law on Tax Incentives

On October 12, 2016, the *Ley Orgánica de Incentivos Tributarios para Varios Sectores Productivos e Interpretativa del Artículo 547 del Código Orgánico de Organización Territorial, Autonomía y Descentralización* (the "Law on Tax Incentives") was published and became effective. The Law on Tax Incentives is intended to encourage productivity by extending tax incentives to additional sectors of the economy. The law establishes income tax deductions for micro, small and medium sized businesses that provide private health insurance to their employees and income tax deductions for public and commercial transport operators equal to the value of the vehicles owned by such operators.

Law to Regulate Companies that Finance Pre-paid Health Services and Health Insurance Companies

On October 17, 2016, the *Ley Orgánica que Regula a las Compañías que Financian Servicios de Atención Integral de Salud Prepagada y a las de Seguros que Oferten Cobertura de Seguros de Asistencia Médica* (the "Law to Regulate Companies that Finance Pre-paid Health Services and Health Insurance Companies") was published and became effective. The law is intended to regulate health service companies and health insurance companies and to provide clear legal requisites for the establishment and operation of those entities.

Law to Strengthen the Social Security System of the Armed Forces and National Police

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.

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 Noteholders*" 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 Supplement. 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 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such public debt ceiling will not apply. This new law provides that for the period from 2018 to 2021, a fiscal stability plan will be implemented by the Ministry of Economy and Finance. 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 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.*"

Law to Eliminate Speculation on Land Values and Tax Fixing

On December 13, 2016, the *Ley Orgánica para Evitar la Especulación sobre el Valor de las Tierras y Fijación de Tributos* (the "Law to Eliminate Speculation on Land Values and Tax Fixing") was published and became effective. This law is intended to create a more equal distribution of wealth and resources in Ecuador. This law imposes a tax of 75% on capital gains obtained from the sale of real estate in excess of an amount equal to 24 basic unified wages, or U.S.$9,000 as of the time the minimum wage for the year 2017 went into effect. The Law to Eliminate Speculation on Land Values and Tax Fixing also imposes more stringent property record keeping obligations on the Autonomous Centralized Governments. This law was repealed on March 22, 2018. For more information, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law Repealing the Organic Law to Eliminate Speculation on Land Values and Tax Fixing*."

Law to Reform the Organic Law of Public Service and Labor Code

On December 20, 2016, *the Ley Orgánica Reformatoria a la Ley Orgánica de Servicio Público y al Código de Trabajo* ("Law to Reform the Organic Law of Public Service and Labor Code") was published and became effective. Under this law, a public servant who ceases to work for a public institution receives full remuneration up until the last day worked on the last month of work without receiving payment for the remaining days not worked on that month. The aim is not to overcompensate those employees partially working during a month as opposed to those who work the full month.

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 the National System of Road Infrastructure for Ground Transportation

On May 5, 2017, the *Ley Orgánica del Sistema Nacional de Infraestructura Vial del Transporte Terrestre* (the "Organic Law for the National System of Road Infrastructure for Ground Transportation") was published and became effective. The law establishes a regime for the design, planning, execution, construction, maintenance, regulation and control of infrastructure for ground transportation and complementary services. The law classifies roads by type to facilitate the approval of projects for the construction of road infrastructure, requires these projects to include studies of environmental and social impact as well as of security of the road, and allocates responsibility to the central Government and the Autonomous Decentralized Governments to maintain the infrastructure of ground transportation.

Organic Law for the Citizenship Security and Public Order Entities

On June 21, 2017, the *Código Orgánico de las Entidades de Seguridad Ciudadana y Orden Público* (the "Organic Law for the Citizenship Security and Public Order Entities") was published. This law governs the organization, institutional activities, professional development and administration of citizenship security and public order entities.

Organic Administrative Code

On July 31, 2017, the *Código Orgánico Administrativo* (the "Organic Administrative Code") was published and became effective on July 31, 2018. This law will unify the procedures, defenses, penalties and statutes of limitations applicable in connection with administrative proceedings other than tax proceedings. Additionally, this code will repeal the *Ley de Modernización del Estado, Privatizaciones y Prestación de Servicios Públicos por parte de la Iniciativa Privada.*

Organic Law for the Application of the Referendum

On September 8, 2017, the *Ley Orgánica para la Aplicación de la Consulta Popular Efectuada el 19 de febrero de 2017* (the "Organic Law for the Application of the Referendum") was published and became effective. The law establishes that those who hold posts by popular election and those who are candidates for those posts, as well as public servants and those who apply to be public servants, cannot own goods or capital in territories considered tax havens. Any elected officials or public servants who own goods or capital in tax havens must comply with this law, left their positions by March 6, 2018 or face removal.

Organic Law to Reform the Organic Law of Public Service

On September 13, 2017, the *Ley Orgánica Reformatoria a la Ley Orgánica del Servicio Público* (the "2017 Organic Law to Reform the Organic Law of Public Service") was published and became effective. This law establishes a mechanism to regulate the temporary contracting of public servants in public entities in order to prevent public servants in temporary positions from becoming permanent public servants, in practice, without being subject to merit-based competitions.

Organic Law to Reform the Organic Law of Public Service and the Labor Code to Prevent Labor Harassment

On November 9, 2017, the *Ley Orgánica Reformatoria a la Ley Orgánica del Servicio Público y al Código del Trabajo para Prevenir el Acoso Laboral* (the "Organic Law to Reform the Organic Law of Public Service and the Labor Code to Prevent Labor Harassment") was published and became effective. The law intends to prevent harassment in the workplace. The law establishes a definition of harassment in the workplace, a procedure to deal with workplace harassment claims, and the potential effects of behavior constituting harassment in the workplace.

Organic Law for the Reactivation of the Economy

On November 29, 2017, the National Assembly approved 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. The law alters applicable deductions and tax rates with the intention of increasing revenues through progressive taxes that do not affect the poorest in society.

Integral Organic Law to Prevent and Eradicate Violence Against Women

On February 5, 2018, the *Ley Orgánica Integral para Prevenir y Erradicar la Violencia Contra las Mujeres* (the "Integral Organic Law to Prevent and Eradicate Violence Against Women") was published and became effective. This law strengthens the protections provided to women by the Government against domestic violence. Measures include appointing several government entities to oversee a registry of abusers of women.

Organic Law Repealing the Organic Law to Eliminate Speculation on Land Values and Tax Fixing

On March 22, 2018, the *Ley Orgánica Derogatoria de la Ley Orgánica para Evitar la Especulación Sobre el Valor de las Tierras y Fijación de Tributos, de Conformidad con la Consulta Popular del 4 de Febrero de 2018* ("Organic Law Repealing the Organic Law to Eliminate Speculation on Land Values and Tax Fixing") was published and became effective. This law was enacted as a result of the referendum and popular consultation held on February 4, 2018, where over 63% voted in favor of repealing the Organic Law to Eliminate Speculation on Land Values and Tax Fixing.

Organic Law Reforming the Organic Law of the Council for Citizen Participation and Social Control

On March 23, 2018, the *Ley Orgánica Reformatoria a la Ley Orgánica del Consejo de Participación Ciudadana y Control Social para Aplicación de la Pregunta 3 del Referéndum Celebrado el 04 De Febrero de 2018*

("Organic Law Reforming the Organic Law of the Council for Citizen Participation and Social Control") was published and became effective. This law was enacted due to a 63.08% vote in favor to question 3 of the consultation and popular consultation held on February 4, 2018. This law changes the requirements and mechanism for election of members to the National Council for Citizen Participation and Social Control. The Council is charged with sponsoring the participation and social control of the general public, fighting corruption, and designing processes to ensure authorities comply with the Constitution.

Organic Law of Border Development

On May 17, 2018, the *Ley Orgánica de Desarrollo Fronterizo* (the "Organic Law of Border Development") was published and became effective. This law aims to develop the areas around Ecuador's borders by creating mechanisms by which the central government and the autonomous decentralized governments can provide help. It prescribes tax incentives as well as preferential lines of credit to help develop these areas.

Organic Law for the Integral Planning of the Special Amazon Territorial Circumscription

On May 21, 2018, the *Ley Orgánica para la Planificación Integral de la Circunscripción Territorial Especial Amazónica* (the "Organic Law for the Integral Planning of the Special Amazon Territorial Circumscription") was published and became effective. The purpose of this law is to regulate the Integral Planning of the Special Amazon Territorial Circumscription and its territorial order, observing social, economic, cultural and environmental aspects. The law establishes several committees to oversee the projects. It also establishes two funds for the financing of the Special Amazon Territorial Circumscription: one from the sale of petroleum from the region and the other from the sale of minerals, hydroelectric power, hydrocarbons, and profits from state-owned enterprises in the region.

Law Reforming the Civil Aviation Law

On June 11, 2018, the *Ley Reformatoria a la Ley de Aviación Civil* (the "Law Reforming the Civil Aviation Law") was published and became effective. The law provides for investigations of any accidents involving airplanes by a specialized committee. The law also prescribes a timeframe for the committee to detail and finalize its reports.

Law Reforming the Social Security Law

On June 18, 2018, the *Ley Reformatoria a la Ley de Seguridad Social* (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.

Law Reforming the Organic Law on Higher Education

On August 2, 2018, the *Ley Orgánica Reformatoria a la Ley Orgánica de Educación Superior* (the "Law Reforming the Organic Law on Higher Education") was published and became effective. The law provides that the academic trajectory, socioeconomic status, location and other factors will be taken into account in addition to the *Ser Bachiller* exam in order to evaluate the admission of a student to a public university. The law also provides for the creation of two public universities in the Amazon region and another in Santo Domingo de los Tsáchilas. Furthermore, the law aims to provide more autonomy to universities and to guarantee greater student and academics participation in the decision making process, and includes sanctions for bullying, discrimination and gender violence.

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*."

Organic Law for the Optimization and Efficiency of Bureaucratic Procedures

On October 23, 2018, the *Ley Orgánica para la Optimización y Eficiencia de Trámites Administrativos* (the "Organic Law for the Optimization and Efficiency of Bureaucratic Procedures") was published and became effective. The law aims to simplify and cheapen bureaucratic procedures across the board to further expand people's access to the public administration. To achieve this, the law limits the ability of regulated entities to create bureaucratic procedures and requirements without first proving that they are not an unnecessary burden to users; requires that new bureaucratic requirements and procedures be published and accessible to the population with appropriate instructions; creates a presumption for the user that their affidavits and filings required for a bureaucratic procedure are true until proven false; prohibits regulated entities within the public administration from requiring original documents or more documentation or forms of ID than necessary for a bureaucratic procedure when the relevant information is available in the public registry to that effect; mandates the creation of an online platform to make payments for bureaucratic procedures; and, among others, orders the creation of a system to cancel tax debt owed by government contractors against any credit that they might have against the Republic for the goods or services provided.

Law Creating the Del Río University-UDR

On December 6, 2018, the *Ley de Creación de la Universidad del Rio-UDR* ("Law Creating the Del Río University-UDR") was published and became effective. The law creates a public university, Universidad Del Río ("UDR"), with legal personhood and academic, administrative and financial autonomy. UDR will have its main campus in Guayaquil.

Organic Law for the Institutionalization of the Live Arts Festival in Loja as a Place for the Gathering and Promotion of Ecuador's Cultural Expressions and Identity

On January 14, 2019, the *Ley Orgánica para la Institucionalización del Festival Internacional de Artes Vivas de Loja como Espacio de Encuentro y Fomento de las Expresiones Culturales e Identidad del Ecuador* ("Organic Law for the Institutionalization of the Live Arts Festival in Loja as a Place for the Gathering and Promotion of Ecuador's Cultural Expressions and Identity") was published and became effective. This law provides that the "*Festival Internacional de Artes Vivas de Loja*" and the National Program "*Camino a Loja*" shall be held annually in the city of Loja.

Organic Law Interpreting the Ninth General Section of the Organic Law on Intercultural Education

On January 16, 2019, the *Ley Orgánica Interpretativa de la Disposición General Novena de la Ley Orgánica de Educación Intercultural* ("Organic Law Interpreting the Ninth General Section of the Organic Law on Intercultural Education") was published and became effective. This law reinterprets the *Ley Orgánica de Educación Intercultural* ("Organic Law for Intercultural Education") to allow retirees in the public education sector who retired between 2008 and 2011 to benefit from a stimulus package that did not previously apply to them.

Organic Law Reforming the Organic Law of Communication

On February 20, 2019, the *Ley Orgánica Reformatoria a la Ley Orgánica de Comunicación* ("*Organic Law Reforming the Organic Law of Communication*") was published and became effective. This law, in part: (1) changes the percentage of the population required to be reached by a media outlet for that media outlet to be categorized as a "national" media outlet; (2) raises the limit on foreign ownership of national media outlets to 49%; (3) limits censorship by governmental authorities; (4) abolishes joint and several liability of media outlets for libel in certain cases; (5) removes the requirement to balance media coverage for adverse parties in judicial cases; (6) eliminates the *Superintendencia de la Información y Comunicación* ("Superintendency of Information and Communication"); (7) introduces the concept of autoregulation for media outlets; and (8) redefines the requirements for "nationally produced" advertisements for purposes of allocating airtime in accordance with legally established quotas.

Organic Law Reforming the Production Code for the Establishment of Development Zones, and the Organic Law of Solidarity

On February 21, 2019, the Organic Law Reforming the Production Code for the Establishment of Development Zones, and the Organic Law of Solidarity was published and became effective. This law reforms the Production Code to create a mechanism for the establishment of *Polos de Desarrollo* ("Development Zones") throughout the country, with special attention to border towns. Development Zones are defined in the law as areas with potential for productive development, attracting investment, generating local and foreign re-investment in goods, services, facilities and infrastructure. The law allows local governments to provide tax and non-tax incentives to investors in Development Zones in addition to any tax incentives available under other laws.

In an effort to promote the reconstruction of the territories affected by the Pedernales Earthquake, this law also reforms the 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. Similarly, the law provides for private and public ventures in those territories to promote, and give preference to local employment. The law, among other measures, mandates public banks to give preference in opening lines of credit to entrepreneurs and others involved in productive activities in those territories. The law also provides for special tax incentives for residents of the provinces of Manabí and Esmeraldas, and the preferential provisioning of funds for the development of the tourism sector and for environmental preservation in the region.

Organic Law of Energy Efficiency

On March 19, 2019, the *Ley Orgánica de Eficiencia Energética* ("Organic Law of Energy Efficiency") was published and became effective. This law establishes the *Sistema Nacional de Eficiencia Energética* (the "National System for Energy Efficiency" or "SNEE") as the network of governmental agencies, policies and programs tasked, among others, with carrying out the 10-year *Plan Nacional de Eficiencia Energética* ("National Plan of Energy Efficiency" or "PLANEE") under the *Ley Orgánica del Servicio Público de Energía Eléctrica* (the "Organic Law of the Electric Power Public Service"), and promotes efficiency in the private and public use of the country's energy production with the purpose of enhancing productivity and competition and mitigating, and increasing awareness of, the effects of climate change. The law also creates the *Comité Nacional de Eficiencia Energética* ("National Committee for Energy Efficiency" or "NCEE") as the inter-agency committee in charge of coordinating the SNEE and issuing directives for the country's energy regulators on energy saving and efficiency.

The Organic Law of Energy Efficiency also mandates that policies and regulations for the regulated sectors of construction and transportation promote the Republic's policies regarding energy efficiency. This law also requires the establishment of a statistical database of energy source, the promulgation of a general regulation by the executive branch setting forth the necessary incentives to carry out the law's mandates and the creation by local governments of incentives to promote the use of electric vehicles.

Organic Law on Prevention and Punishment of Violence in Sports

On April 30, 2019, the *Ley Orgánica de Prevención y Sanción de la Violencia en el Deporte* ("Organic Law on Prevention and Punishment of Violence in Sports") was published and became effective. This law creates a special legal framework and mandate for the prevention and punishment of all forms of violence, racism, xenophobia and other forms of intolerance in sports, by mandating the creation of public safety plans in sporting events tailored to the different risk factors inherent to such events; requiring licensing to hold sporting events open to the public; assigning new responsibilities to the press and to the different national and local governmental agencies and establishing a set of legal principles and policies to achieve the goals of the law; creating a set of rights and responsibilities of attendees to public sporting events; mandating special access and spaces for people with disabilities and the elderly; and regulating the types of objects permitted inside public sporting events.

Organic Law on the Ombudsman Office

On May 6, 2019, the *Ley Orgánica de la Defensoría del Pueblo* ("Organic Law on the Ombudsman Office") was published and became effective. This law creates the Ombudsman office as an independent and decentralized public office in charge of protecting and promoting human rights and the rights of the environment and outlines its structural organization, principles, powers and responsibilities.

Organic Law on the Elderly

On May 9, 2019, the *Ley Orgánica de las Personas Adultas Mayores* ("Organic Law on the Elderly") was published and became effective. The goal of this law is to promote, regulate and guarantee the rights of the elderly. It creates a set of principles, rights and incentives for the benefit of Ecuadorian residents who are 65 years of age or older. It creates the *Sistema Nacional Especializado de Protección Integral de los Derechos de las Personas Adultas Mayores* (the "National System for the Protection of the Rights of the Elderly") as the network of agencies, public and private services, rules and regulations, policies, plans, programs and activities in place to guarantee the protection of the elderly, tasked with designing, formulating, executing, evaluating and following up on the rules, regulations, policies, services and programs for the benefit of the elderly.

2019 Organic Law Reforming the Organic Law of Public Service

On May 9, 2019, the *Ley Orgánica Reformatoria a la Ley Orgánica de Servicio Público* ("2019 Organic Law to Reform the Organic Law of Public Service") was published and became effective. This law reforms the Organic Law of Public Service by adding the right of civil servants to request medical leave at their place of employment.

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 Reforming the Organic Law of Electric Power Public Service

On June 22, 2019, the *Ley Orgánica Reformatoria a la Ley Orgánica del Servicio Público de Energía Eléctrica* ("Organic Law Reforming the Organic Law of Electric Power Public Service") was published and became effective. This law modifies the Organic Law of Electric Power Public Service, expanding on the requirement that customers be billed separately for power distribution and trash collection, and related procedures, as well as expanding on the Government's role in creating incentives for providers of electric power in developing rural areas.

Organic Law Reforming the Civil Procedure Code

On June 26, 2019, the Organic Law Reforming the Civil Procedure Code was published and became effective. This law harmonizes certain rules of civil procedure with constitutional due process requirements involving oral pleadings, public defense, service of process, appeals, among others.

Law Reforming the Civil Aviation Law and the Aeronautics Code, on Airplane Accidents and Incidents

On July 2, 2019, the *Ley Reformatoria a la Ley de Aviación Civil y al Código Aeronáutico, sobre la Investigación de Accidentes e Incidentes de Aeronaves* ("Law Reforming the Civil Aviation Law and the Aeronautics Code, on Airplane Accidents and Incidents") was published and became effective. This law establishes the powers and responsibilities of the *Junta Investigadora de Accidentes* ("Accidents Investigation Board") as the entity in charge of investigating the causes and circumstances of civil airplane accidents that take place in Ecuador.

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 Supplement 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 Interamerican 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. On September 20, 2018, by executive decree No. 517, President Moreno confirmed Carlos Pérez in his post as Minister of Energy and Non-Renewable Natural Resources.

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 five months of 2019, crude oil exports totaled U.S.$3,361 million, a 7.2% increase from U.S.$3,136 million in the first five months of 2018. This increase was primarily due to a 12.3% increase in the aggregate volume of oil exports despite a 4.2% decrease in the price per barrel.

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, a 8.5% increase from U.S.$25,473 million in 2017. This increase was primarily due to an increase in revenues from tax collections.

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*."

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 315 ("Decree 315") and decree 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,					January1 – May 31,	
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019**
Petroleum [(1)]	557	543	548	531	517	514	530
Public Companies [(2)]	157,976	154,308	158,118	152,092	146,351	59,937	62,700
Other operators	45,166	43,922	42,593	41,837	42,438	17,651	17,266
Total	**203,142**	**198,230**	**200,711**	**193,929**	**188,789**	**77,588**	**79,965**
Natural Gas Production [(3)]	**20,410**	**17,550**	**18,633**	**16,337**	**12,461**	**5,683**	**4,760**

Source: Petroleum data is based on figures from the Central Bank June 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 June 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 June 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% of production 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 June 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 June 2019, oil field crude production, including that of private and state-owned companies, reached 79,965 million barrels for the five-month period ended May 31, 2019, representing a 3.1% increase from the 77,588 million barrels produced in the same period of 2018 (and an increase of 3.1% in barrels per day). In 2018, state-owned companies were responsible for 77.5% of production, compared to 78.4% of production 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 four-month period ended April 30, 2019, state-owned companies were responsible for 78.4% of production, compared to 77.2% of production in the same period of 2018. This increase was principally due to an increase in capital expenditure which contributed to the increase in production. In the five-month period ended May 31, 2019, state-owned companies were responsible for 78.4% of production, compared to 77.2% 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.$400 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 Supplement, 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 77,346 bpd in August 2018, reached 63,840 bpd in May 2019, and it is expected to surpass the level of 160,000 bpd by 2022. As of May 31, 2019, the following platforms were in operation: Tiputini A with 20 drilled wells and an average production of 9,444.01 bpd; Tiputini B with 3 drilled wells and no production; Tiputini C with 35 drilled wells (29 production wells) and an average production of 11,106.19 bpd; Tiputini D with 13 drilled wells and an average production of 7,783.97 bpd; Tiputini E with 11 drilled wells and an average production of 2,849.52 bpd; Tambococha A with 20 drilled wells and an average production of 17,338.23 bpd; Tambococha D with 24 drilled wells and an average production of 15,037.17 bpd, and Tambococha E with 1 drilled well and an average production of 280.99 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. Petroamazonas expects to drill 10 additional wells in this block throughout 2019. The Sacha field is estimated to have crude oil reserves of approximately 350 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.

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 five months of 2019, crude oil exports totaled U.S.$3,361 million, a 7.2% increase from U.S.$3,136 million in the first five months of 2018. This increase was primarily due to a 12.3% increase in the aggregate volume of oil exports despite a 4.2% decrease in the price per barrel.

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 five months of 2019, they were the United States, Panama and Chile with 37.5%, 26.1% and 15.2%, 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 five months of 2019, the SOTE transported 52.1 million barrels, averaging 345.3 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 18^{o} to 24^{o} 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 five months of 2019, the OCP pipeline transported 26.7 million barrels, averaging 176.8 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 two months of 2019, the three main refineries produced 13.3 million barrels of oil derivatives including gasoline, diesel, fuel oil, jet fuel and liquefied petroleum, which represented a decrease of 1.0% compared to the 13.4 million barrels of oil derivatives produced in the same period of 2018. This decrease was due to a lower level of crude oil loading as a result of certain maintenance projects.

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 two months of 2019, the domestic consumption of oil derivatives was 14.8 million barrels, which represents a 3.4% increase compared to the 14.3 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 1, 2019, two units of the refinery were shut down for maintenance. Maintenance work on both units successfully ended on July 31, 2019, after which the whole plant resumed normal operations.

As of March 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 called 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.

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.

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 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 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 was fixed at U.S.$1.037.

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 February 28, 2019, Petroecuador maintains a network of 46 service stations of its own and 204 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 May 31, 2019, Ecuador had approximately 149,467 million cubic feet of proven natural gas reserves and 309,814 million cubic feet of proven and probable natural gas reserves. As of January 29, 2019, CELEC consumed an average of approximately 26 million cubic feet of natural gas per day in the plant Termogas Machala and the Ecuadorian industry consumed an average of approximately 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 five months of 2019, Petroamazonas produced approximately 31.52 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 started production in 2019, and the Fruta del Norte Project is still expected to start 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.$1,047 million and Ecuacorriente S.A. is planning an investment of approximately U.S.$2,015 million (exploration, economic evaluation, CAPEX, OPEX, and mine closure). 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 is expected to start 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 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 6 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 Supplement, the aggregate executed investment for these projects has been U.S.$229 million.

From March of 2016 to December 31, 2017, 275 concessions were granted through a mining concession request process, with a commitment of a 4-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.

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 the 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 Supplement, 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.

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.

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. For more information on the Telecommunications Law, see "*The Ecuadorian Economy—Economic and Social Policies—Telecommunications Law*."

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 five months of 2019, banana exports totaled U.S.$1,445 million, a 0.3% decrease from U.S.$1,448 million in the first five months of 2018 primarily due to a 0.1% reduction in the aggregate volume of banana exports despite a 0.9% increase in the price per metric ton.

Ecuador also exports significant amounts of cacao. With continued normal growing conditions, cacao exports reached U.S.$576 million in 2014 and increased to U.S.$693 million in 2015. 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 five months of 2019, cacao exports totaled U.S.$212 million, a 7.4% increase from U.S.$198 million in the first five months 2018 primarily due to a 6.4% increase in the aggregate volume of cacao exports and a 1.0% increase in the price per metric ton.

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. Flower exports were U.S.$918 million in 2014. In 2015, flower exports decreased by 12% to U.S.$820 million primarily as a result of the strengthening of the dollar which made Ecuador's flowers more expensive compared to Colombian flowers. 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 five months of 2019, flower exports totaled U.S.$418 million, a 2.7% increase from the U.S.$407 million in the first five months of 2018 primarily due to a 3.2% increase in the price per metric ton despite a 0.5% decrease in the aggregate volume of flower exports.

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 2015, shrimp exports totaled U.S.$2,280 million, a 9.3% decrease from U.S.$2,513 million in 2014. This decrease was due to the effects of the El Niño phenomenon in 2015, as well as a decrease in exports to Asia. 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 five months of 2019, shrimp exports totaled U.S.$1,482 million, a 7.0% increase from U.S.$1,387 million in the first five months of 2018 primarily due to a 1.9% increase in the price per metric ton despite a 0.6% decrease in the aggregate volume of shrimp exports.

Fishing exports, other than shrimp, decreased from U.S.$296 million in 2014 to U.S.$244 million in 2016. 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 five months of 2019, fishing exports, other than shrimp, totaled U.S.$148 million, a 1.3%

increase from U.S.$146 million in the first five months of 2018 primarily due to a 1.9% increase in the price per metric ton despite a 0.6% decrease in the aggregate volume of fishing exports.

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. The manufacturing sector grew an average of 10.27% per year between 2011 and 2015. In 2014, manufacturing grew by 14.6%. In 2015, manufacturing decreased by 1.5%, reaching U.S.$13,513 million. 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 five months of 2019, 23.0% of Ecuador's non-petroleum exports, or U.S.$1,269.1 million, were sold in the European Union, compared to 25.9%, or U.S.$1,418 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 "Brexit." 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, 11.20% of GDP in 2015 and 10.71% of GDP in 2014. In 2014, construction activity grew by 4.7%, compared to 7.4% in 2013. 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

Ecuador's tourism industry slightly decreased from 2014 to 2015 and again in 2016. In 2014, 1.56 million tourists visited the country, 1.54 million in 2015, 1.41 million 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 steady increase in tourism from 2013 to 2014 was largely due to promotional campaigns instituted by the Ministry of Tourism. In 2010, the "Ecuador loves life" campaign was launched in England, Germany, France and the United States. A second campaign, the "I discovered" campaign, was launched in 2011, and a third campaign, the "All you need is Ecuador" campaign, was launched in 2014. As part of this campaign, Ecuador became the first government to advertise during the Super Bowl, airing a thirty second spot during the 2015 event. The Ministry also provides financing and logistics advice to local businesses that cater to tourists such as tours and adventure companies. The decrease in tourism from 2015 to 2016 was attributed to the Pedernales Earthquake. 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 allocates U.S.$18.0 million for tourism.

Transportation

In 2015, the Government invested a total of U.S.$1,119 million in roads and highways, a decrease of 20% from the previous year, when total investment was U.S.$1,400 million. 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 Supplement, approximately 85% 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.$340 for 2014 to U.S.$394 for 2019. 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 2014 to 2019.

Monthly Minimum Wage [(1)]
(in U.S.$)

2014	2015	2016	2017	2018	2019
340	354	366	375	386	394

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 June 30,	
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019**
Total Population[1]	16,027	16,279	16,529	16,777	17,224	17,055	17,333
Labor Force [2]	11,159	11,399	11,696	11,938	12,239	12,024	12,316
Labor Force Participation [3]	7,195	7,499	7,874	8,086	8,027	7,979	8,232
Labor Force Participation Rate	64.47%	65.78%	67.32%	67.73%	65.59%	66.36%	66.87%
Employed Labor Force	6,921	7,141	7,464	7,712	7,731	7,649	7,866
Unemployed Labor Force	273	358	410	374	296	330	366
Unemployment Rate [4]	3.80%	4.77%	5.20%	4.62%	3.69%	4.14%	4.45%

Source: Based on figures from INEC as of June 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%. In 2014, unemployment decreased to 3.80% from 4.15% in 2013 due to increased job creation in the services and commerce industries. In 2015, the unemployment rate increased to 4.77% due to a general slowdown of the economy in 2015 that led to job losses in both the private and public sectors. 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 46.69% in 2014 to 48.09% in 2015, and increased again in 2016 to 53.39%. In 2017 the underemployment rate decreased to 52.95% from 53.39% in 2016, but increased again in 2018 to 54.56%.

The sectors that registered the greatest reduction in employment in the period from 2011 to 2015 were the agriculture sector with 2.89%, and the commerce sector with 1.52%. 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 June 2019, the labor force participation rate increased to 66.87% from 66.36% as of June 2018. As of June 2019, the underemployment rate increased to 57.01% from 54.40% as of June 2018. As of June 2019, the unemployment rate increased to 4.45% from 4.14% as of June 2018.

The following table sets forth information regarding the unemployment and underemployment rates, and real minimum wages for the periods presented:

Wage and Unemployment

	For the Year ended December 31,					As of June 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	4.14	4.45
Underemployment rate (% of economically active population)[2]	46.69	48.09	53.39	52.95	55.25	50.40	57.01

Source: Based on figures from INEC as of June 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 16.8% as of June 2019 from 15.9% as of June 2018, and the rural poverty rate increased to 43.8% from 43.0% across the same time frame, resulting in an aggregate increase of the poverty rate from 24.5% as of June 2018 to 25.5% as of June 2019. Extreme poverty rates have also increased from 4.7% of all urban households as of June 2018 to 5.6% of all urban households as of June 2019, and decreased from 18.1% of all rural households as of June 2018 to 17.9% of all rural households as of June 2019, resulting in an aggregate increase of the extreme poverty rate from 9.0% as of June 2018 to 9.5% as of June 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 June 2019, the urban and rural aggregate poverty and extreme poverty rates increased to 25.5% and 9.5%, from 24.5% and 9.0% as of June 2018, respectively.

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
June 2018	15.9	43.0	24.5	4.7	18.1	9.0	n/a	n/a	n/a
June 2019	16.8	43.8	25.5	5.6	17.9	9.5	n/a	n/a	n/a

Source: Based on figures from INEC as of June 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 June 30, 2019, IESS, ISSFA and ISSPOL had 403,992, 45,171 and 23,926 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 four months of 2019, total non-financial public sector contributions to social security were U.S.$1,882.0 million, an increase from U.S.$1,799.1 million in the first four 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 March 31, 2019, BIESS was still the largest holder of Government securities, with 40.6% of its portfolio investment, or U.S.$7,821 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 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 allocates U.S.$5,345.7 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.$3,013.5 million. 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. The tribunal accepted the position of Ecuador that any amount received by Chevron should be subject to the payment of a tax at a rate of 87.31% (the preliminary arbitral award was approximately U.S.$700 million) and deducted the tax amount due to Ecuador from the preliminary arbitral award of U.S.$700 million. Consequently, Ecuador filed a petition to annul the arbitral award before the District Court of The Hague, which was denied on May 2, 2012. Ecuador presented an appeal to the District Court decision, and on May 13, 2013, the Appellate Court of The Hague heard the arguments of the parties on appeal and rejected Ecuador's appeal on June 19, 2013. In September 18, 2013, Ecuador presented an appeal to the Supreme Court of the Netherlands, which held hearings on February 28, 2014 and denied Ecuador's appeal on September 26, 2014.

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 March 25, 2013, Ecuador filed its brief in opposition with the court, and on April 25, 2013, Chevron filed its response. On June 6, 2013 the District Court confirmed the award in favor of Chevron. Ecuador filed an appeal on July 1, 2013, to which Chevron filed an opposition brief on August 19, 2013.

On September 6, 2013, because Ecuador did not have substantial assets in the District of Columbia, Chevron filed a motion to enable it to register the district court award "in any other district" in the United States. Ecuador objected, arguing that Chevron should be permitted to register the award only in "those districts for which Chevron has provided sufficient evidence that Ecuador has substantial assets." On October 29, 2013, the District Court of the District of Columbia granted Chevron's motion to register the award in any other district. On June 11, 2014, Ecuador appealed the District Court decision. Chevron filed a response to this appeal on July 18, 2014 and Ecuador filed a reply on August 8, 2014. On August 4, 2015, the United States Court of Appeals for the District of Columbia Circuit affirmed the District Court decision. On February 25, 2016, Ecuador filed a petition for a writ of certiorari requesting that the United States Supreme Court review the decision of the Court of Appeals. On June 6, 2016, the United States Supreme Court denied the Republic's writ of certiorari.

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. On January 25, 2012, the arbitral tribunal issued an interim award that ordered Ecuador to take all available measures to suspend the enforcement or recognition of the claims in the Lago Agrio case in Ecuador and abroad. On February 16, 2012, the tribunal issued a second interim award ordering Chevron to compensate Ecuador for the costs Ecuador incurs in performance of its obligations under the interim awards, and ordered Chevron to post a bond in the amount of U.S.$50 million to secure payment of the same. The plaintiffs for the Lago Agrio case, in November 2012, obtained the seizure of certain bank accounts of Chevron in Argentina and the seizure of Chevron's interests in its Argentine subsidiaries. On June 5, 2013, this seizure was revoked. In a third interim award dated February 27, 2012, the arbitral tribunal held that it had jurisdiction to hear the claim. In a fourth interim award dated February 7, 2013, the arbitral tribunal resolved that Ecuador has not complied with the decisions from the previous awards, and that each party will argue whether Ecuador must reimburse Chevron for any expenses related to the enforcement proceedings.

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."

According to the arbitral tribunal, the 1995 Settlement bars claims that Ecuador might raise in the exercise of their own rights, but does not bar claims by third parties acting independently from the state in the exercise of their individual rights. It also held that the 1995 Settlement did not contain an indemnity provision that required the Republic to be held liable for any costs or any judgment rendered against Chevron. However, the arbitral tribunal held that Chevron was a "released party" under the 1995 Settlement. The arbitration tribunal did not decide on the claims of breach of the 1995 Settlement. In response, on January 7, 2014, Ecuador filed a writ of summons in the District Court of the Hague requesting an order setting aside the September 17, 2013 partial award and of the previous interim awards. The District Court of the Hague held a hearing regarding Ecuador's writ of summons on November 2015 and rejected Ecuador's request in a decision issued on January 20, 2016. On April 20, 2016, Ecuador presented its petition for appeal. It presented its memorial on August 16, 2016. On October 11, 2016, Chevron submitted its response. A hearing regarding Ecuador's request to set aside the partial award and the previous interim awards was held on May 9, 2017. On July 18, 2017, the courts of the Hague denied Ecuador's request to set aside the September 17, 2013 partial award and the previous interim awards. Ecuador submitted a cassation appeal on October 17, 2017.

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 May 9, 2014, Chevron submitted a supplemental brief regarding the Track 2 issue of the alleged violations of the Ecuador-U.S. Bilateral Investment Treaty, explaining the relevance of certain prehearing exhibits.

On November 7, 2014, Ecuador filed a written response to Chevron's supplemental brief on Track 2, to which Chevron replied on January 14, 2015. Ecuador in turn filed a supplemental rejoinder brief on March 17, 2015. A telephone conference regarding procedural matters took place on March 27, 2015. Hearings on the Track 2 issues relating to the supplemental briefs took place in Washington, D.C. from April 21 to May 8, 2015. The result of the Track 2 hearing is pending. The parties submitted briefs on the final report of a forensic computer expert on August 12, 2016 and August 26, 2016 and presented their positions on the relevance of the August 8, 2016 decision of the Southern District of New York Court of Appeals on the RICO action: *Chevron v. Donziger et. al.* on August 16, 2016 and August 18, 2016. On August 29, 2016, the arbitral tribunal issued an order concluding that the legal issues presented before it and those presented in the August 8 decision of the Southern District of New York Court of Appeals are materially different. Accordingly, due to lack of sufficient privity under international law, the arbitral tribunal held that there can be no issue estoppel or *res judicata* applicable before it arising from the outcome of the U.S. legal proceedings. The tribunal has indicated that it will issue a decision with respect to Track 2 after the submission of such briefs. 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 tribunal established that, not later than 90 days following the date of the award, any party may apply to the tribunal for permission to add any further issue or request for relief to be addressed by the parties in Track 3. All issues as to reparation in the form of compensation for any injuries sustained by Chevron and all issues relating to the allocation and assessment of costs and expenses were assigned by the tribunal for further submissions by the parties to Track 3. The arbitral tribunal has not yet determined any financial compensation owed by Ecuador to Chevron.

On September 28, 2018, Ecuador filed a request for interpretation and clarification of the Track 2 award, pursuant to Article 35 of the UNCITRAL Arbitration Rules. This request was filed before the Arbitral Tribunal. Chevron filed its opposition to Ecuador's request on October 13, 2018. Ecuador filed a reply to Chevron's opposition on November 1, 2018. The Arbitral Tribunal issued a decision on November 6, 2018 denying Ecuador's request for interpretation and clarification of the award. On November 28, 2018, Ecuador and Chevron filed their respective submissions on costs in connection with the arbitration. 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, after which Chevron filed its reply brief. As of the date of this Supplement, 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. Chevron has filed its memorial on damages, which remains confidential under Procedural Order No. 58 issued by the arbitral tribunal to that effect on May 22, 2019. 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 July 18, 2014, the tribunal decided the claim in favor of Perenco and considered the schedule for the assessment of damages. The hearing for the assessment of damages took place from November 9, 2015 to November 13, 2015 in Paris. On April 21, 2016, the parties presented their final arguments. The decision on the assessment of damages is pending.

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 March 13, 2013, the parties presented their respective memoranda to the arbitral tribunal. Hearings took place from September 9 to September 17, 2013. 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 but has not released any findings yet. On April 18, 2017, Perenco filed an application for dismissal of Ecuador's counterclaims on res judicata grounds arising out of the decision of the arbitral tribunal in the ICSID arbitration brought by Burlington Resources, Inc. against Ecuador. On August 18, 2017, the arbitral tribunal denied that application, thereby allowing Ecuador's counterclaims to proceed. On September 2017, the independent environmental expert returned to Ecuador to gather soil and groundwater samples in order to assess the amount of damages to be paid by the French petroleum company. On December 18, 2017, the environmental expert finished collecting soil samples at sites and initiated the process of sample analysis. On January 31, 2018, Perenco requested to the tribunal the dismissal of Ecuador's counterclaims based on the settlement agreement signed between Ecuador and Burlington on December 1, 2017. The tribunal ordered the parties to provide their replies. Perenco presented its reply on April 5, 2018 and Ecuador presented its reply on April 26, 2018. On July 30, 2018, the tribunal denied Perenco's claim for the dismissal of Ecuador's counterclaims. Following such decision, the environmental expert notified the parties that his report will be delivered to the parties in October 2018. The tribunal informed the parties that the expert's report was delayed and was expected before year-end. The Republic received the expert's report on December 19, 2018.

On February 22, 2019, the parties simultaneously presented their respective writings commenting on the expert's report. On March 11 and March 12, 2019 in the Hague, the Netherlands, a hearing was held in which the expert of the tribunal was cross-examined and the final allegations with regard to the counterclaims were argued. On April 19, 2019 and May 3, 2019, the parties simultaneously presented their cost submissions and their respective replies. The arbitral tribunal scheduled its final decision on this matter for August 2019.

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 August 28, 2013, Ecuador filed for appeal in the District Court of Appeal of Florida, Third Circuit. On July 2, 2014, the District Court of Appeal ruled in favor of Ecuador, reversing the trial court's decision and finding the defendants liable for the losses of Filanbanco S.A. The defendants petitioned the Third Circuit for a hearing to review the July 2, 2014 decision, which the Third Circuit rejected. On August 6, 2014, the defendants submitted their brief in support of their petition, which was denied by the Third Circuit court on September 16, 2014.

Upon remand, the Eleventh Judicial Circuit Court of Florida, in an October 15, 2015 decision, held that the ten-year statute of limitations on the action had expired. On November 12, 2015, Ecuador notified the District Court of Appeals for the Third District of Florida that it would appeal this decision. On November 16, 2015, the defendants filed a motion for costs and fees. On January 11, 2016, the District Court of Appeals for the Third District of Florida issued an order deferring the decision regarding costs and fees until after a decision on the appeal. Ecuador presented its motion to appeal on March 11, 2016. The defendants presented their response to Ecuador's appeal on October 8, 2016. Ecuador filed its brief in response on January 6, 2017. The District Court of Appeals for the Third District of Florida held the hearing on April 3, 2017. 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.

Zamora Gold

On July 7, 2011, Ecuador was notified of an arbitration proceeding against it for allegedly depriving Zamora Gold of its investments in violation of the Canada-Ecuador Bilateral Investment Treaty. Since then, the plaintiff has not taken further action. The amount of the claim has not yet been determined.

RSM Production Corporation

On May 13, 2010, Ecuador was notified of an UNCITRAL arbitration proceeding against it for allegedly cancelling a mining license held by RSM Production Corporation in violation of the U.S.-Ecuador Bilateral Investment Treaty. Since then, there has not been further action by the plaintiff. The amount of the claim has not yet been determined.

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 Ecuadorean 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 February 5, 2016, Merck filed a petition requesting that the arbitration tribunal set forth certain measures to protect Merck from an unjust final judgment in Ecuador. On May 7, 2016, the arbitration tribunal accepted Merck's petition and ordered Ecuador to guarantee that no final judgment will be enforceable in Ecuador until the arbitration tribunal issues its final decision on the matter.

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. The Ecuadorian Constitutional Court granted the petition and set aside the suspension order.

The arbitral tribunal held a hearing on October 12, 2016. On November 16, 2016, the parties presented their post-hearing briefs. On December 2, 2016, the parties presented comments to their post-hearing briefs in the arbitration. 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. The parties filed their briefs on damages on June 21, 2018. The arbitral tribunal opened a discovery phase until January 21, 2019, which has since been finalized. On March 25, 2019, the parties presented their reply memorials. On April 24, 2019, a hearing on damages took place in the city of London.

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. APM has initiated proceedings in various jurisdictions for the execution of the award. APM initiated proceedings for the execution of the award in the British Virgin Islands. Hutchison presented its objections to the execution of the award in the British Virgin Islands. On October 30, 2017, a hearing on the execution and recognition of the award was held in which APM requested an abbreviated proceeding for the recognition of the award. However, the tribunal determined that a longer hearing in the British Virgin Islands will be held in order to allow the parties to present their arguments regarding the recognition of the award before a decision is made. That hearing remains to be scheduled.

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.

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") ("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 Supplement, 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. Sinohydro Corporation has demanded the formation of a new JCD. As of the date of this Supplement, the JCD had not yet been formed.

Ecuador TLC, Cayman International, and Teikoku Oil

On February 26, 2014, Ecuador TLC, Cayman International, and Teikoku Oil filed a breach of contract arbitration claim against Ecuador in the Permanent Court of Arbitration in the Hague for an amount of U.S.$808.3 million plus interest. The claim is in connection with an oil-field exploration contract that was terminated by Ecuador because the plaintiffs did not agree to the new renegotiated terms. See "*The Ecuadorian Economy—Economic and Social Policies—Renegotiation of Oil Field Contracts*." Ecuador presented its response brief on March 21, 2016 and Ecuador TLC presented its response on June 20, 2016. From January 24, 2017 to January 28, 2017, the arbitral tribunal held a hearing regarding Ecuador TLC's breach of contract claim in Washington D.C. The parties presented their submissions on March 3 and on May 5. The parties presented their submission on costs on May 29. On January 16, 2018, the arbitral tribunal ordered Ecuador to pay the plaintiffs a total amount of U.S.$515,067,578, post-award interest and an additional amount of U.S.$35,000 for arbitral costs and expenses. On March 19, 2018, the parties reached an agreement that reduced the amount Ecuador owed to the plaintiffs to U.S.$507,746,745 out of which Ecuador retained approximately U.S.$189,000,000 in order for the plaintiffs to fulfill their pending labor and tax obligations. Ecuador paid the remaining U.S.$318,712,249 in three separate installments. Ecuador considers that it has fulfilled its obligations under the agreement reached on March 19, 2018, and it does not expect any further actions on this matter.

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") 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.

Oleoducto de Crudos Pesados

On March 16, 2018, Oleoductos de Crudos Pesados S.A. (Ecuador) and Oleoducto de Crudos Pesados Ltd. (jointly, "OCP") filed an arbitral claim against Ecuador under the UNCITRAL Rules. The claim is in connection with an alleged reinterpretation of an Ecuadorian law by the Ecuadorian Internal Revenue Service affecting the rights of OCP under an authorization contract for the construction and operation of a pipeline. The amount of the claim is yet to be determined. The arbitrators have been legally appointed and the first hearing was held on September 19, 2018. On December 21, 2018, the parties waived all claims raised in the arbitration.

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 October 27, 2016, Mr. Penades filed a notice of appeal to the United States Court of Appeals for the Second Circuit. On May 17, 2017, the Second Circuit entered a summary order affirming the judgment of the District Court, granting the Republic's motion to dismiss Mr. Penades's complaint. On May 31, 2017, Mr. Penades filed a petition for a rehearing en banc of the Second Circuit's summary order. On July 5, 2017, the Second Circuit denied Mr. Penades' petition for a rehearing en banc.

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. The Republic was served with process on October 16, 2018. 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 December 17, 2018, the Republic filed a motion to dismiss the new complaint. However, on January 7, 2019, Mr. Penades filed an amended complaint (the "Amended Complaint") against the Republic. On January 22, 2019, the Republic filed a motion to dismiss the Amended Complaint, arguing that the Amended Complaint should be dismissed on *res judicata* grounds, based on the dismissal of Mr. Penades's original complaint filed in 2015. Mr. Penades filed an affirmation on February 18, 2019 in opposition to the motion to dismiss the Amended Complaint, arguing that he was litigating new facts that he could not litigate before and that his lawsuit based on the 2030 Notes and 2012 Notes should therefore proceed. He also argued that his lawsuit should be allowed to proceed on the ground of public policy. On March 4, 2019, the Republic filed a reply arguing that there were in fact no new facts that give rise to any right for Mr. Penades to sue again on the 2030 Notes and 2012 Notes and no cognizable public policy that might apply in his favor.

An initial case management conference was held with the court on April 24, 2019. On April 23, 2019, the day prior to the case management conference, Mr. Penades filed letter motions with the court requesting that the court review certain documents during the case management conference and requesting that the court take judicial notice of certain other documents. At the conference the court denied both of those letter motions and also stayed discovery in the case pending the resolution of the Republic's motion to dismiss the Amended Complaint.

The court has not yet ruled on the motion to dismiss the Amended Complaint.

Albacora

On March 3, 2015, Albacora Group ("Albacora") notified Ecuador it had initiated investment arbitration proceedings against the Republic under the Bilateral Investment Treaty between Ecuador and Spain and the 1976 UNCITRAL rules, based on the alleged tax treatment by the Republic to four of Albacora's subsidiaries operating free trade zones in Porsoja, Ecuador. Albacora alleges that its four subsidiaries, as users of free trade zones, are entitled to full tax exoneration, while the Republic contends that at the moment the four Albacora subsidiaries were classified as free trade zone users in 2008, the relevant tax provision was not in effect. Albacora is seeking U.S.$54 million in payment.

On April 4, 2016, Albacora notified the Republic of the initiation of the proceedings, and from 2016 to 2017, the parties exchanged briefs and completed several initial stages of the arbitral processes. A hearing on the question of jurisdiction and on the merits was held in January 2018. In March and April of 2018, Albacora and the Republic filed their respective memorandums of law and their respective reply briefs. On July 18, 2019, the arbitral tribunal issued its final ruling in favor of the Republic.

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 deadline for the Republic to file its reply brief is October 28, 2019.

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 Supplement, the parties are in direct negotiations.

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 Supplement, the presiding arbitrator had not yet been designated.

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 and has delivered to the Officer of the Prosecutor General several reports including indications of criminal liability.

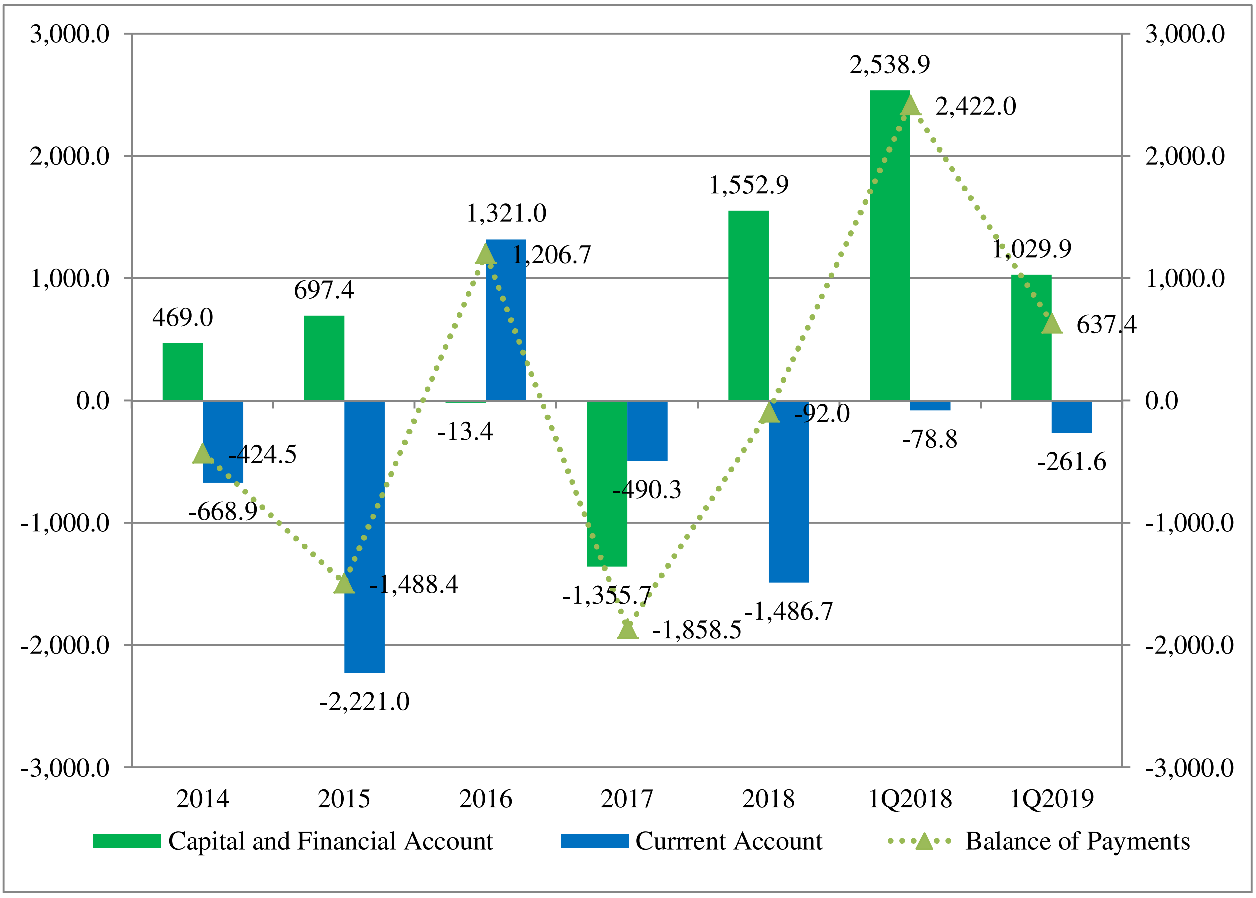
INDRA

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 both the first quarter of 2019 and the first quarter of 2018, there were balance of payments surpluses.



Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the First 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 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 first quarter of 2019, there was a balance of payments surplus of U.S.$637.4 million, a decrease compared to the U.S.$2,422.0 million balance of payments surplus in the first quarter of 2018. This decrease was primarily due to the current account deficit in the amount of U.S.$261.6 million, the capital and financial account surplus in the amount of U.S.$1,029.9 million and the results of errors and emissions in the amount of U.S.$130.8 million.

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.$)

	2014	2015	2016	2017	2018
Current Account	**-668.9**	**-2,221.0**	**1,321.0**	**-490.3**	**-1,486.7**
Trade balance	**-63.5**	**-1,649.8**	**1,567.3**	**311.4**	**-263.0**
Exports[2]	26,596.5	19,048.7	17,425.4	19,618.3	22,122.8
Petroleum and derivatives	13,275.5	13,275.5	6,660.3	5,459.2	8,801.7
Non-petroleum	12,448.9	12,448.9	11,670.3	11,338.5	12,804.4
Non-registered commerce and other exports	872.0	872.0	718.1	627.7	516.7
Imports	-26,660.0	-20,698.5	-15,858.1	-19,306.8	-22,385.8
Services	**-1,170.7**	**-805.2**	**-1,054.5**	**-1,103.1**	**-710.8**
Rendered services (credit)	2,346.3	2,391.3	2,139.8	2,191.1	2,539.5
Transportation	437.0	444.3	409.8	413.6	430.1
Travel	1,482.1	1,551.4	1,443.6	1,548.1	1,871.1
Other	427.1	395.7	286.4	229.5	238.3
Rendered services (debit)	-3,517.0	-3,196.6	-3,194.3	-3,294.2	-3,250.3
Transportation	-1,743.9	-1,510.1	-1,238.2	-1,471.4	-1,548.6
Travel	-634.6	-638.6	-661.1	-686.7	-654.2
Other	-1,138.5	-1,047.8	-1,295.0	-1,136.0	-1,047.5
Investment income	**-1,543.2**	**-1,728.5**	**-1,845.8**	**-2,363.3**	**-2,921.8**
Inflows (credit)	120.7	140.3	163.8	187.1	237.9
Outflows (debit)	-1,663.9	-1,868.8	-2,009.6	-2,550.4	-3,159.7
Employees' remuneration	-11.4	-13.5	-14.4	-14.5	-14.6
Direct investment income	-663.6	-598.1	-434.0	-364.9	-456.6
Portfolio investment income	-143.2	-230.9	-300.7	-808.4	-1,260.3
Other	-845.6	-1,026.3	-1,260.6	-1,362.6	-1,428.1.9
Net transfers	**2,108.5**	**1,962.5**	**2,653.9**	**2,664.6**	**2,408.9**
Emigrant remittances	2,461.7	2,377.8	2,602.0	2,840.2	3,030.6
Capital and financial account	**469.0**	**697.4**	**-13.4**	**-1,355.7**	**1,552.9**
Capital account	**66.8**	**-69.1**	**-813.8**	**68.7**	**-192.5**
Financial account	**402.3**	**766.5**	**800.4**	**-1,424.5**	**1,745.4**
Direct Investment	772.3	1,322.5	769.0	618.9	1,407.7
Portfolio Investment	1,500.4	1,473.4	2,200.9	6,490.6	2,600.9
Other Investment	-1,870.5	-2,029.6	-2,169.6	-8,533.9	-2,263.2
Errors and omissions	**-224.6**	**35.2**	**-100.8**	**-12.5**	**-158.1**
Total balance of payments	**-424.5**	**-1,488.4**	**1,206.7**	**-1,858.5**	**-92.0**
Financing	**424.5**	**1,488.4**	**-1,206.7**	**1,858.5**	**92.0**
International Reserves[3]	411.5	1,453.1	-1,762.9	1,807.8	-225.5
IMF loans	-	-	365.2	-	-
Exceptional Financing, net[4]	13.0	35.3	191.0	50.7	317.4

Source: Based on figures from the Central Bank 2019 Quarterly Balance of Payments Bulletin for the First 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.$)

	December 2017	March 2018	December 2018	March 2019
Current Account	**-328.7**	**-78.8**	**-882.6**	**-261.6**
Trade balance	**-116.4**	**283.7**	**-446.2**	**58.2**
Exports (2)	5,195.8	5,359.6	5,468.0	5,423.4
Imports	-5,312.2	-5,075.8	-5,914.2	-5,365.2
Services	**-303.7**	**-194.9**	**-192.6**	**-219.5**
Rendered services (credit)	564.1	611.6	674.7	623.4
Transportation	107.8	98.0	110.3	97.7
Travel	404.1	445.2	499.5	472.4
Other	52.2	68.4	64.9	53.3
Rendered services (debit)	-867.8	-806.5	-867.3	-843.0
Transportation	-374.6	-375.3	-414.1	-396.9
Travel	-166.0	-174.1	-158.8	-177.7
Other	-327.2	-257.1	-294.4	-268.3
Investment income	**-601.1**	**-646.6**	**-864.5**	**-741.8**
Inflows (credit)	52.5	59.7	56.8	53.8
Outflows (debit)	-653.6	-706.3	-921.2	-795.6
Employees' remuneration	-4.1	-4.1	-3.8	-3.4
Other outflows investment income(3)	-649.6	-702.3	-917.5	-792.3
Net transfers	**692.4**	**479.0**	**620.7**	**641.5**
Emigrant remittances	763.4	715.0	780.1	736.2
Other transfers	83.6	55.3	74.4	64.0
Outgoing transfers	-205.3	-335.8	-285.2	-200.6
Capital and financial account	**325.3**	**2,538.9**	**593.0**	**1,029.9**
Capital account	**18.7**	**15.9**	**19.4**	**15.0**
Financial account	**306.5**	**2,523.1**	**573.6**	**1,014.8**
Direct Investment	96.4	331.6	606.6	132.9
Portfolio Investment	2,896.5	2,817.3	-64.8	729.3
Other Investment	-2,686.3	-625.8	31.8	152.6
Errors and omissions	**69.1**	**-38.2**	**-35.1**	**-130.8**
Total balance of payments	**65.6**	**2,422.0**	**-324.6**	**637.4**
Financing	**-65.6**	**-2,422.0**	**324.6**	**-637.4**
International Reserves (4)	-88.7	-2,417.0	16.5	-1,296.3
IMF loans	-	-	-	651.7
Exceptional Financing, net (5)	23.1	-5.0	308.2	7.2

Source: Based on figures from the Central Bank 2019 Quarterly Balance of Payments Bulletin for the First 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 first quarter of 2019, the current account registered a deficit of U.S.$261.6 million, a U.S.$182.8 million increase in the deficit compared to the U.S.$78.8 million deficit for the same period in 2018. This increase in the deficit was mainly due to an increase in the deficit of the services and rent accounts in the amounts of U.S$219.5 million and U.S.$741.8 million respectively; and to a decrease in the surplus in the goods account, despite a U.S.$641.5 million surplus in current transfers.

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 first quarter of 2019, imports totaled U.S.$5,365.2 million compared to U.S.$5,075.8 million for the first quarter of 2018. This increase in the level of imports was primarily due to a 14.7% increase in oil imports, a 4.7% increase in commodities, and a 7.3% increase in capital goods, despite a 2.0% decrease in imports of consumer goods.

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 first quarter of 2019 resulted in a surplus of U.S.$58.2 million, as compared to the U.S.$283.7 million surplus for the same period in 2018. This decrease was mainly due to a higher total value of imports (U.S.$5,423.4 million) compared to the total value of exports (U.S.$5,365.2 million).

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 first quarter of 2019 resulted in a deficit of U.S.$219.5 million, an increase in the deficit compared to the U.S.$194.9 million deficit for the same period in 2018. This increase in the deficit was mainly due to a U.S.$11.8 million increase in services rendered, as opposed to a U.S.$36.4 million increase in services received.

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 first quarter of 2019 resulted in a deficit of U.S.$741.8 million, an increase in the deficit compared to the U.S.$646.6 million deficit for the same period in 2018. This increase in the deficit was mainly due to an increase in interest revenues from portfolio investments from U.S.$195.3 million for the first quarter of 2018 to U.S.$311.9 million for the first quarter of 2019.

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 first quarter of 2019, remittances totaled U.S.$736.2 million, an increase compared to the U.S.$715.0 million for the same period in 2018. This increase in remittances was due to an improvement of the economic conditions of Ecuadorians abroad.

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 first quarter of 2019, the capital and financial account registered a surplus of U.S.$1,029.9 million compared to the U.S.$2,538.9 million surplus for the same period in 2018. This decrease in the surplus in the capital and financial account was primarily due to a decrease in liabilities related to direct foreign investment and portfolio investment in the amounts of U.S.$198.7 million and U.S.$2,088.0 million, respectively.

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.$1,401.0 million, an increase compared to the 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. For the first quarter of 2019, foreign direct investment totaled U.S.$132.9 million, a decrease compared to the U.S.$331.6 million for the same period in 2018. This decrease was principally due to a decrease in the sale of shares of stock and in reinvestment of earnings, as well as a negative net flow of debt between related companies where amortization outpaced disbursements.

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 first quarter of 2019, portfolio investment registered a U.S.$729.3 million surplus, a decrease in the surplus compared to the U.S.$2,817.3 million surplus for the same period in 2018. This decrease in the surplus was mainly due to a decrease in soverign bond issuances.

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 the net cash withdrawals from the financial system by U.S.$589 million.

As of June 30, 2019, Ecuador's International Reserves totaled U.S.$4,095.3 million, an increase from June 30, 2018 when International Reserves totaled U.S.$3,166.7 million. This increase in International Reserves was mainly due to a U.S.$2,328.7 million increase in oil transactions and a U.S.$1,198.6 million increase of the net external public debt, despite a net decrease in remittances in the private and public sectors by U.S.$1,418.5 million and U.S.$1,110.3 million, respectively, and U.S.$240.6 million in net cash withdrawals from the Central Bank compared to the amount of deposits. On December 27, 2018, to face a temporary decrease in liquidity in the country's international reserves, the Central Bank announced it had activated a U.S.$300 million facility it had in place with one of its international counterparties at an annual 2.86% interest rate temporarily transferring a certain amount of gold reserves. On January 4, 2019, the Central Bank announced the country's gold reserves had been replenished and the funds returned to the counterparty.

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 2014, 2015, 2016, 2017 and 2018 exports of petroleum and petroleum derivatives accounted for approximately 51.6%, 36.4%, 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 five months of 2019, overall exports increased to U.S.$9,281 million, compared to U.S.$9,005 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 March 31, 2018	5,359.6	-5,075.8	283.7
Period Ended March 31, 2019	5,423.4	-5,365.2	58.2

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the First 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
Third Quarter of 2017	4.743.5	-5,046.1	-302.5
Fourth Quarter of 2017	5,195.8	-5,312.2	-116.4
First Quarter of 2018	5,359.6	-5,075.8	283.7
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

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the First 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 "Brexit." 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 five months of 2019, overall exports amounted to U.S.$9,281 million, an increase of 3.1% compared to U.S.$9,005 million for the same period in 2018. This increase was primarily due to a 6.5% increase in the aggregate volume of exports despite a decrease in the price of crude oil, shrimp, canned fisheries and mining products.

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,										January 1– May 31			
	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	3,136	34.8	3,361	36.2
Bananas and plantains	2,577	10.0	2,808	15.3	2,734	16.3	3,035	15.9	3,196	14.8	1,448	16.1	1,445	15.6
Petroleum derivatives	259	1.0	305	1.7	405	2.4	724	3.8	948	4.4	384	4.3	403	4.3
Shrimp	2,513	9.8	2,280	12.4	2,580	15.4	3,038	15.9	3,235	15.0	1,387	15.4	1,482	16.0
Cacao	576	2.2	693	3.8	621	3.7	588	3.1	664	3.1	198	2.2	212	2.3
Coffee	24	0.1	18	0.1	18	0.1	17	0.1	13	0.1	4	0.0	3	0.0
Tuna and other fish	296	1.2	258	1.4	244	1.5	242	1.3	304	1.4	146	1.6	148	1.6
Flowers	918	3.6	820	4.5	802	4.8	881	4.6	852	3.9	237	2.6	418	4.5
Metal manufacturing[2]	519	2.0	510	2.8	402	2.4	440	2.3	523	2.4	209	2.3	181	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	1,686	18.7	1,628	17.5
Total	**25,724**	**100**	**18,331**	**100**	**16,798**	**100**	**19,122**	**100**	**21,606**	**100**	**7,054**	**100**	**7,291**	**100**

Source: Based on figures from the Central Bank June 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)

											January 1 – May 31			
	2014		2015		2016		2017		2018		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	1,065	11.5	1,155	11.9
Durable goods	2,230	8.0	1,593	7.4	1,241	7.6	1,944	9.7	2,362	10.2	946	10.2	846	8.7
Postal traffic	208	0.8	131	0.6	136	0.8	165	0.8	173	0.7	71	0.8	68	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	1,747	18.9	1,927	19.9
Primary materials														
Agriculture	1,351	4.9	1,199	5.6	1,112	6.8	1,243	6.2	1,497	6.5	596	6.5	597	6.2
Industrial…	6,147	22.2	5,445	25.3	4,501	27.6	5,401	27.0	5,854	25.2	2,367	25.6	2,312	23.9
Construction materials	1,120	4.0	658	3.1	413	2.5	475	2.4	590	2.5	228	2.5	297	3.1
Capital goods														
Agriculture	128	0.5	144	0.7	117	0.7	141	0.7	162	0.7	72	0.8	53	0.5
Industrial…	4,898	17.7	3,948	18.3	2,978	18.2	3,427	17.1	3,679	15.9	1,482	16.0	1,623	16.7
Transportation equipment	1,954	7.0	1,471	6.8	992	6.1	1,308	6.5	1,574	6.8	634	6.9	772	8.0
Other	60	0.2	63	0.3	62	0.4	53	0.3	77	0.3	29	0.3	43	0.4
Total	**27,726**	**100**	**21,518**	**100**	**16,324**	**100**	**20,010**	**100**	**23,193**	**100**	**9,237**	**100**	**9,691**	**100**

Source: Based on figures from the Central Bank June 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)

											January 1 – May 31			
	2014		2015		2016		2017		2018		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	2,532	28.1	2,520	27.2
Peru	1,582	6.1	934	5.1	934	5.6	1,283	6.7	1,615	7.5	747	8.3	491	5.3
Colombia	951	3.7	784	4.3	811	4.8	763	4.0	833	3.9	347	3.8	372	4.0
Chile	2,328	9.0	1,138	6.2	1,151	6.9	1,236	6.5	1,467	6.8	595	6.6	684	7.4
Panama	1,398	5.4	442	2.4	662	3.9	936	4.9	1,244	5.8	973	10.8	1,520	16.4
Other (Americas)[2]	1,554	6.0	1,247	6.8	1,090	6.5	1,009	5.3	1,113	5.1	5,194	57.7	5,586	60.2
Total Americas	19,052	74.1	11,771	64.2	10,083	60.0	11,284	59.0	12,942	59.9				
Europe											1,436	16.0	1,269	13.7
European Union (EU)	2,981	11.6	2,773	15.1	2,832	16.9	3,173	16.6	3,269	15.1	320	3.6	213	2.3
Italy	431	1.7	326	1.8	461	2.7	587	3.1	647	3.0	70	0.8	61	0.7
United Kingdom	176	0.7	166	0.9	139	0.8	200	1.0	187	0.9	211	2.3	143	1.5
Germany	526	2.0	549	3.0	531	3.2	502	2.6	494	2.3	229	2.5	242	2.6
Spain	525	2.0	484	2.6	547	3.3	601	3.1	582	2.7	606	6.7	610	6.6
Other (EU)[3]	1,323	5.2	1,249	6.8	1,153	6.9	1,283	6.7	1,359	6.3	446	5.0	457	4.9
Rest of Europe[4]	1,072	4.2	903	5.0	902.5	5.4	970	5.1	963	4.5	1,883	20.9	1,726	18.6
Total Europe	4,053	15.8	3,676	20.1	3,734	22.2	4,144	21.7	4,232	19.6				
Asia											4	0.0	4	0.0
Taiwan	7	0.0	6	0.0	9	0.1	12	0.1	6	0.0	140	1.6	106	1.1
Japan	326	1.3	331	1.8	320	1.9	389	2.0	319	1.5	651	7.2	914	9.9
China	485	1.9	723	3.9	656	3.9	772	4.0	1,494	6.9	41	0.5	103	1.1
South Korea	57	0.2	173	0.9	83	0.5	115	0.6	104	0.5	1,030	11.4	753	8.1
Other countries[5]	1,558	6.1	1,475	8.0	1,775	10.6	2,307	12.1	2,368	11.0	1,865	20.7	1,880	20.3
Total Asia	2,433	9.5	2,708	14.8	2,842	16.9	3,595	18.8	4,291	19.9	38	0.4	64	0.7
Africa	122	0.5	105	0.6	65	0.4	43	0.2	83	0.4	22	0.2	23	0.2
Oceania	45	0.2	51	0.3	52	0.3	54	0.3	54	0.2	2	0.0	2	0.0
Other countries	20	0.1	20	0.1	21	0.1	3	0.0	4	0.0	9,005	100	9,281	100
Total	25,724	100	18,331	100	16,798	100	19,122	100	21,606	100	2,532	28.1	2,520	27.2

Source: Based on figures from the Central Bank June 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–May 31	
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019**
Americas[1]							
Mexico	967	656	491	660	732	293	291
United States	8,751	5,806	4,116	4,532	5,534	2,138	2,310
Central America	104	96	95	120	126	54	46
South America and the Caribbean							
Argentina	501	235	218	375	409	203	102
Brazil	863	712	672	867	962	383	377
Bolivia	114	183	192	196	234	76	82
Colombia	2,201	1,766	1,421	1,716	1,923	770	770
Chile	583	551	480	560	538	221	213
Panama	1,442	1,022	889	1,274	1,724	790	888
Peru	1,024	789	689	830	876	357	342
Rest of Americas and Caribbean[1]	678	487	368	468	443	175	224
TOTAL AMERICA	**17,227**	**12,302**	**9,630**	**11,598**	**13,502**	**5,461**	**5,645**
Europe							
Germany	578	497	398	481	518	217	214
Italy	326	344	258	262	319	121	112
Spain	618	430	357	620	572	222	294
UK	151	87	51	97	97	41	43
Rest of EU[2]	1,315	1,126	793	1,113	1,459	561	575
Rest of Europe[3]	302	313	313	248	275	103	117
TOTAL EUROPE	**3,288**	**2,796**	**2,170**	**2,821**	**3,241**	**1,266**	**1,355**
Asia							
China	3,613	3,266	2,549	3,064	3,589	1,390	1,543
Japan	574	478	293	408	416	183	204
Taiwan	213	182	123	139	162	65	60
South Korea	902	792	526	616	707	257	244
Rest of Asia[4]	1,548	1,431	783	1,049	1,268	498	505
TOTAL ASIA	**6,851**	**6,148**	**4,275**	**5,276**	**6,141**	**2,393**	**2,556**
Postal Traffic and regions excluding the Americas, Europe and Asia[5]	**360**	**272**	**249**	**315**	**309**	**117**	**136**
Total	**27,726**	**21,518**	**16,324**	**20,010**	**23,193**	**9,237**	**9,691**

Source: Based on figures from the Central Bank June 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.$772.3 million, U.S.$1,322.5 million and U.S.$767.4 million in 2014, 2015 and 2016, respectively. In 2017, foreign direct investment reached U.S.$618.4 million, a decrease compared to the U.S.$767.4 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.$1,401 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 oil sector represented the largest percentage of foreign direct investment with 53% of all investment; services rendered to businesses and commerce followed representing 13.4% and 13.0% of foreign direct investment, respectively.

In the first quarter of 2019, foreign direct investment reached U.S.$132.9 million, a decrease compared to U.S.$331.6 million for the first quarter of 2018. This decrease was principally due to a decrease in the sale of shares of stock and in reinvestment of earnings, as well as a negative net flow of debt between related companies where amortization outpaced disbursements. In the first quarter of 2019, the oil sector represented the largest percentage of foreign direct investment with 46.4% of all investment; manufacturing and agriculture, forestry, hunting and fishing followed representing 21.7% and 17.4% 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										As of March 31	
	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	41.9	5.5	124.6	20.1	59.3	4.2	17.8	23.1
Commerce [(1)]	148.5	19.2	172.9	13.1	122.2	15.9	102.0	16.5	182.7	13.0	91.9	15.7
Construction	4.7	0.6	6.8	0.5	30.5	4.0	59.1	9.6	86.8	6.2	16.4	-16.5
Electricity, gas and water	-4.7	-0.6	61.8	4.7	1.2	0.2	2.1	0.3	2.8	0.2	0.0	1.1
Petroleum [(2)]	685.6	88.8	559.8	42.3	462.8	60.3	68.3	11.0	742.0	53.0	128.3	61.6
Manufacturing	107.7	13.9	264.1	20.0	37.5	4.9	144.2	23.3	103.0	7.3	25.6	28.9
Social and personal services	14.1	1.8	-10.8	-0.8	-1.9	-0.2	-3.9	-0.6	-1.5	-0.1	-2.0	-2.1
Services rendered to businesses	24.4	3.2	243.8	18.4	33.3	4.3	75.0	12.1	187.3	13.4	48.9	17.4
Transportation, storage and telecommunications	-247.0	-32.0	-43.6	-3.3	40.0	5.2	47.0	7.6	38.7	2.8	4.5	3.8
Total	**772.3**	**100**	**1,322.5**	**100**	**767.4**	**100**	**618.4**	**100**	**1,401.0**	**100.0**	**331.6**	**132.9**

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the First 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 *Banco de Desarrollo del Ecuador B.P.* (the "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 June 30, 2019, the Ecuadorian Development Bank made a total of U.S.$209.9 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 (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 the net cash withdrawals from the financial system by U.S.$589 million. As of June 30, 2019, Ecuador's International Reserves totaled U.S.$4,095.3 million, an increase from June 30, 2018 when International Reserves totaled U.S.$3,166.7 million. This increase in International Reserves was mainly due to a U.S.$2,328.7 million increase in oil transactions and a U.S.$1,198.6 million increase of the net external public debt, despite a net decrease in remittances in the private and public sectors by U.S.$1,418.5 million and U.S.$1,110.3 million, respectively, and U.S.$240.6 million in net cash withdrawals from the Central Bank compared to the amount of deposits.

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 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 Supplement, Ecuador's solvency rules for financial institutions correspond to Basel I. As of the date of this Supplement, 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: Superintendent of Banks as of June 30, 2019.

(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, and (c) microcredit extended accumulation, as loans in excess of U.S.$10,000. 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 June 30, 2019.

Classification of Aggregate Assets of the Ecuadorian Private Financial System [1]

(as a % of total loans)

	As of June 30, 2019			
Category	Commercial loans	Consumer loans	Mortgage loans	Small business
A	76.46	94.27	96.77	94.51
B	17.17	1.88	1.62	1.60
C	5.71	1.50	0.45	0.98
D	0.29	0.63	0.53	0.60
E	0.37	1.72	0.63	2.31
Total	**100**	**100**	**100**	**100**

Source: Superintendent of Banks as of June 30, 2019. Based on data from private banks.

(1) As of June 30, 2019, 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 May 31, 2019, the Liquidity Fund consisted of approximately U.S.$2,979.3 million, an increase of U.S.$186.3 million compared with May 31, 2018, when the Liquidity Fund amounted to U.S.$2,792.9 million. Of the U.S.$2,979.3 million in the Liquidity Fund on May 31, 2019, U.S.$2,771.5 million corresponded to private financial institutions and U.S.$207.7 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 *Corporación Financiera Nacional* (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 June 30, 2019, COSEDE had assets corresponding to its administration of deposit insurance funds from various financial institutions of U.S.$2,115.45 million.

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 June 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	38
Savings and loans associations[1]	37	24	25	26	31	31	31
Small lending institutions[4]	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[4]	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**	**93**

Source: Superintendent of Banks as of June 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.

(4) Figures are as of May 31, 2019.

Banking System

Overview

As of April 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 June 30, 2019, the assets of the banking system totaled U.S.$41,672 million, an increase of 6.74% from U.S.$39,041 million as of June 30, 2018. This increase was principally due to a U.S.$2,067 million increase in the loan portfolio.

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,					As of June 30,	
	2014	2015	2016	2017	2018	2018	2019
Total assets (in billions of U.S. dollars)	33.6	30.9	35.6	39.0	41.0	39.0	41.7
Non-performing loans (as % of total loans)	1.33%	1.45%	1.34%	1.21%	2.6%	3.0%	3.0%

Source: Superintendent of Banks as of July 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%
June 30, 2018	18,952	10,118	29,069	3%
June 30, 2019	18,819	11,362	30,181	4%

Source: Superintendent of Banks as of July 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 June 30, 2019, time and demand deposits totaled U.S.$30,181 million, an increase of 3.8% compared to June 30, 2018. This increase was principally due to a U.S.$1,244.7 million increase in time deposits despite a U.S.$133.1 million decrease in demand deposits.

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, demand deposits totaled U.S.$19,457 million, a decrease of 2.3% since December 31, 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.

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 June 30, 2019, the balance of foreign liabilities in the banking sector amounted to approximately U.S.$2,218 million, which is an increase of 38.9% from the balance of foreign liabilities in June 30, 2018, which was U.S.$1,597 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
June 30, 2018	55	29	5
June 30, 2019	51	31	6

Source: Superintendent of Banks as of July 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
June 30, 2018	65.4	14.2
June 30, 2019	66.3	13.5

Source: Superintendent of Banks as of July 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 a 11.60% increase in the loan portfolio.

As of June 30, 2019, the banking system represented 78.9% of the total assets of the private financial system. For the period ended June 30, 2019, the banking system generated a profit of U.S.$295.5 million compared to U.S.$254.8 million for the same period in 2018. This increase is mainly due to the net margin interest.

As of June 30, 2019, the assets of the banking system totaled U.S.$41,672 million, an increase of 6.74% from U.S.$39,041 million as of June 30, 2018. This increase was principally due to a U.S.$2,067 million increase in the loan portfolio.

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 June 30, 2019

Loans		Deposits	
Commercial, Productive and Consumer Loans	23,859	Demand Deposits	18,819
Microenterprise Loans	1,851	Time Deposits	11,362
Education Loans	415	Guarantee Deposits	1
Real Estate and Public Housing Loans	2,350	Others	1,427
Total	**28,476**	**Total**	**31,609**

Source: Superintendent of Banks as of July 2019.

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%
June 30, 2018	25,535	794	26,330	97.0%	3.0%
June 30, 2019	27,636	840	28,476	97.0%	3.0%

Source: Superintendent of Banks as of July 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 generating 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 is 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 June 30, 2019, the delinquency rate decreased to 2.95% compared to the 3.02% delinquency rate as of June 30, 2018. This decrease is principally due to an increase in the productive credit portfolio, despite an increase in the unproductive credit portfolio. As of June 30, 2019, 47.4% of all current loans were commercial, 36.6% were consumer, 8.2% were housing, 6.4% were microcredit and 1.5% 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 June 30, 2019, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.$31,609 million, an increase from the U.S.$30,398 million as of June 30, 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 from U.S.$25,535 million as of June 30, 2018 to U.S.$27,636 million as of June 30, 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,										As of June 30,			
	2014		2015		2016		2017		2018		2018		2019	
	U.S.$	%	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	126	15.8	116	13.9
Consumer	383	68.0	438	63.7	428	59.3	448	61.6	466	65.0	480	60.5	535	63.7
Real estate	31	5.3	39	5.6	59	8.1	61	8.4	64	9.0	72	9.1	73	8.7
Microcredit	79	13.8	90	13.1	97	13.5	79	10.9	86	12	83	10.4	95	11.3
Education[(1)]	-	-	22	3.2	20	2.8	21	2.9	3	0.4	25	3.1	13	1.6
Total	**565**	**100**	**687**	**100**	**721**	**100**	**728**	**100**	**717**	**100**	**786**	**100**	**833**	**100**

Source: Superintendent of Banks as of July 2019.

(1) The education loan portfolio that was previously administered by the *Instituto Ecuatoriano de Crédito Educativo y Becas* (IECE) was transferred to the banking system in February of 2015.

(2) 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 generating loans are also included in past-due loans.

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, 2018, the three banks accounted for about 51.1% of the reported combined income and 51.2% of Ecuador's banking assets. Return on equity for these three banks averaged 15% for 2018, an increase of 4.4% compared to 2017, while net profit increased from U.S.$184 million in 2017 to U.S.$280 million in 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, 2018, Banco del Pacífico had approximately U.S.$5,534 million in assets. As of June 30, 2019, its assets totaled approximately U.S.$5,771 million. According to the Superintendent of Banks, Banco del Pacífico's profits were U.S.$100.3 million for the year ended December 31, 2018. Its profits for the six-month period ended June 30, 2019, were U.S.$51.36 million.

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 June 30, 2019, approximately 3.16% 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 Supplement, 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 0.04% 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 June 30, 2019, the Ecuadorian Stock Exchanges combined listed the securities of approximately 373 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 June 30, 2019, U.S.$587.7 million worth of securities were traded in the secondary market, representing 11.0% 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 June 30,	
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019**
Repos	203.3	23.0	14.2	44.6	37.2	12.9	16.4
Other [1]	7,340.8	5,023.8	8,318,5	6,578.2	7,438.2	3,357.9	5,334.4
Total	**7,544.1**	**5,046.8**	**8,332.7**	**6,622.8**	**7,475.4**	**3,370.8**	**5,350.8**

Source: *Bolsa de Valores de Quito* ("Quito 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 is 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 is 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 June 30, 2019, U.S.$5,350.8 million worth of securities were traded on the Ecuadorian Stock Exchanges, representing an increase compared to the U.S.$3,370.8 million of securities traded as of June 30, 2018. This increase was due to an increase in the amount of certificates of treasury and investment certificates.

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 June 30
	2014	2015	2016	2017	2018	2019
Deposit interest rate	5.2	5.1	5.1	5.0	5.4	5.9
Lending interest rate	8.2	9.1	8.1	7.8	8.7	8.3
Corporate productive lending interest rate[1]	8.2	9.2	8.5	7.8	8.8	9.3
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	10.1
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	10.0
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	9.2
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	8.0
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	11.3
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	16.4
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	16.7
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	9.4
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	20.4
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	20.3
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	23.7
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	22.4
Maximum microcredit simple accumulation interest rate[9]	n/a	n/a	n/a	n/a	27.5	27.5
Microcredit subsistence accumulation lending interest rate[11][8]	28.6	29.0	27.3	27.4	26.5	26.2
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	23.6
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 June Monthly Bulletin (Table 1.10.1). Other 2019 figures based on Central Bank June 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%. As of June 30, 2019, the ordinary consumer lending interest rate was 16.4 % and the priority consumer lending interest rate was 16.7%.

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%. As of June 30, 2019, the ordinary commercial lending interest rate was 9.2% and the corporate productive lending interest rate was 9.3%.

The following table sets forth the principal monetary indicators for the periods presented.

Principal Monetary Indicators
(in millions of U.S. dollars)

	As of December 31,					As of May 31,	
	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	14,799.5	15,811.2
Demand deposits	9,068.8	7,201.0	9,281.4	9,577.6	9,260.5	8,997.2	8,803.4
Fractional Currency.........................	86.6	86.3	88.2	85.3	83.6	83.9	80.7
M1…………...................................	**18,695.3**	**19,041.7**	**22,634.9**	**24,530.5**	**25,259.9**	**23,880.6**	**24,695.3**
Savings……………........................	3,506.1	3,053.5	6,044.1	5,244.5	4,859.5	4,591.2	4,657.4
Term deposits	21,409.1	20,609.0	23,553.5	26,260.3	28,404.8	27,016.8	29,313.9
M2 (M1 plus term deposits)	**40,104.4**	**39,650.7**	**46,188.4**	**50,790.8**	**53,664.7**	**50,897.4**	**54,009.2**

Source: Based on figures from the Central Bank June 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 increased from -0.71% for the 12-month period ended June 30, 2018 to 0.61% for the 12-month period ended June 30, 2019. This increase was primarily due to an increase in prices mainly in the transportation, education, alcoholic beverages, tobacco and narcotics sectors, despite a decrease in prices in the apparel, footwear and home furniture sectors.

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
June 2018	-0.71
June 2019	0.61

Source: Based on figures from the Central Bank June 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 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such public debt ceiling will not apply. This new law provides that for the period from 2018 to 2021, a fiscal stability plan will be implemented by the Ministry of Economy and Finance. 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 will be required to publish public debt figures calculated using the New Methodology going back to October 2010. Once these past public debt figures are published using the New Methodology, those numbers may vary from the public debt figures presented in this Supplement 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 April 30, 2019, the Ministry of Economy and Finance had an outstanding balance of U.S.$2,386.7 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.*" The Government received external funding from FLAR, which in September 2012 disbursed a balance-of-payments back-up credit of U.S.$514.6 million. The China Development Bank also disbursed U.S.$500 million. In the first several months of 2013, the Government received U.S.$1.4 billion from China Development Bank under a new line of credit that was negotiated in December 2012. These funds were used to restore Ecuador's 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 (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 the net cash withdrawals from the financial system by U.S.$589 million. As of June 30, 2019, Ecuador's International Reserves totaled U.S.$4,095.3 million, an increase from June 30, 2018 when International Reserves totaled U.S.$3,166.7 million. This increase in International Reserves was mainly due to a U.S.$2,328.7 million increase in oil transactions and a U.S.$1,198.6 million increase of the net external public debt, despite a net decrease in remittances in the private and public sectors by U.S.$1,418.5 million and U.S.$1,110.3 million, respectively, and U.S.$240.6 million in net cash withdrawals from the Central Bank compared to the amount of deposits.

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. As of the date of this Supplement, this fiscal stabilization fund has not yet been funded.

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,										January 1 – April 30[1]	
	2014	% of GDP	2015	% of GDP	2016	% of GDP	2017	% of GDP	2018	% of GDP	2018	2019
Revenue												
Petroleum revenue												
Exports[2]	10,906	10.7	6,487	6.5	5,402	5.4	5,840	5.6	8,621	8.0	2,066.2	2,597.8
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**	**2,066.2**	**2,597.8**
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	1,832.8	2,034.3
Value-added tax	6,376	6.3	6,352	6.4	5,400	5.4	5,979	5.7	6,384	5.9	2,088.7	2,132.1
Selected excise taxes	803	0.8	840	0.9	790	0.8	937	0.9	978	0.9	331.4	297.8
Taxes on international trade	1,357	1.3	2,026	2.0	1,633	1.6	1,468	1.4	1,561	1.4	488.9	468.8
Social security contributions	4,718	4.6	5,057	5.1	4,741	4.7	5,415	5.2	5,553	5.1	1,799.1	1,882.0
Other[3]	6,524	6.4	6,749	6.8	8,091	8.1	7,911	7.6	8,366	7.8	2,726.7	2,559.3
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**	**9,267.5**	**9,374.2**
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**	**1,236.0**	**692.5**
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**	**12,569.8**	**12,664.5**
Expenses												
Current expenditures												
Interest	1,024	1.0	1,421	1.4	1,561	1.6	2,209	2.1	2,678	2.5	778.9	885.6
Foreign	829	0.8	1,143	1.1	1,335	1.3	1,850	1.8	2,306	2.1	649.3	798.0
Domestic	195	0.2	278	0.3	226	0.2	359	0.3	371	0.3	129.7	87.6
Wages and salaries	9,478	9.3	9,904	10.0	10,014	10.0	10,365	9.9	10,672	9.8	3,320.6	3,308.7
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	1,448.6	1,602.3
Social security	3,665	3.6	4,222	4.3	4,655	4.7	4,999	4.8	5,382	5.0	1,629.1	1,843.2
Others	9,497	9.3	6,890	6.9	5,691	5.7	5,777	5.5	8,117	7.5	2,523.0	2,717.8
Total current expenditure.........	**28,992**	**28.5**	**27,550**	**27.7**	**26,604**	**26.6**	**28,407**	**27.2**	**33,032**	**30.5**	**9,700.1**	**10,357.6**
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	1,580.9	1,379.8
General state budget	8,290	8.1	5,532	5.6	6,105	6.1	5,086	4.9	3,243	3.0	680.1	285.0
Public companies	4,218	4.1	3,128	3.2	2,533	2.5	1,870	1.8	1,788	1.6	517.6	588.3
Rest of general government	1,472	1.4	1,518	1.5	1,655	1.7	1,692	1.6	1,424	1.3	383.2	506.4
Other capital expenditure	1,375	1.4	1,533	1.5	731	0.7	1,024	1.0	678	0.6	204.6	147.0
Total capital expenditure	**15,354**	**15.1**	**11,712**	**11.8**	**11,024**	**11.0**	**9,672**	**9.3**	**7,133**	**6.6**	**1,785.5**	**1,526.8**
Total expenditure	**44,346**	**43.6**	**39,262**	**39.5**	**37,628**	**37.7**	**38,079**	**36.5**	**40,166**	**37.1**	**11,485.6**	**11,884.4**
Surplus/Deficit	**-5,314**	**-5.2**	**-5,940**	**-6.0**	**-7,314**	**-7.3**	**-4,653**	**-4.5**	**-1,300**	**-1.2**	**1,084.2**	**780.1**

Source: Based on figures from the Central Bank June 2019 Monthly Bulletin (Table 2.1 and Table 2.2).

(1) Figures for the period from January 1, 2019 to April 30, 2019 were calculated based on aggregations of figures for the first quarter of 2019 and the month of April, 2019 as published in *Table 2.2*. Figures for the period from January 1, 2018 to April 30, 2018 were calculated based on the figures for the first quarter of 2018 as published in the same bulletin plus figures for the month of April as published in the August 2018 monthly bulletin.

(2) 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.

(3) 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 is 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 four months of 2019, the non-financial public sector registered a surplus of U.S.$780.1 million compared to a surplus of U.S.$1,084 million for the first four months of 2018. This decrease in total surplus is primarily due to an increase in payments of pensions and in repayments of letters of credit in 2019.

For the first four months of 2019, total revenues for the non-financial public sector totaled U.S.$12,664 million, an increase from U.S.$12,570 million for the first four months of 2018. This increase is primarily due to the effects of the Organic Law for Productive Development which allowed for an improvement in tax collections and management.

For the first four months of 2019, total expenditures for the non-financial public sector totaled U.S.$11,884 million, an increase compared to U.S.$11,486 million for the first four months of 2018. This increase is primarily due to general salary increases, an increase in the payment of pensions to retirees and an increase in the repayment of letters of credit issued to import oil derivatives.

For 2019, the Ministry of Economy and Finance's estimated projection for financing needs (both internal and external debt) is approximately U.S.$8,896 million. The Ministry of Economy and Finance estimates that approximately U.S.$7,515 million will derive from international financing and approximately U.S.$1,381 million from domestic financing. With respect to international financing, the Ministry of Economy and Finance expects that such financing may come from various sources, including drawdowns under existing loan facilities, the IMF's Extended Fund Facility, bilateral and multilateral lending facilities, bond issuances and other methods of providing liquidity such as the monetization of receivables, among others. With respect to domestic financing, the Ministry of Economy and Finance expects that such financing may derive from rollovers of existing debt, new placements by the Ministry of Economy and Finance, and new lending facilities from domestic banks. While the Ministry of Economy and Finance has expectations as to the approximate amounts to be derived from the various sources, such allocation is subject to market conditions as well as the policies of the new administration and such amounts and the use of the financing sources set forth in this paragraph is subject to change.

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 – April 30[1]	
	2014	**% of GDP**	**2015**	**% of GDP**	**2016**	**% of GDP**	**2017**	**% of GDP**	**2018**	**% of GDP**	**2018**	**2019**
Revenue[2]												
Petroleum revenue	**3,765**	**3.7**	**2,264**	**2.3**	**2,003**	**2.0**	**1,676**	**1.6**	**2,109**	**1.9**	**615**	**537**
Non-petroleum revenue	**16,616**	**16.2**	**18,081**	**18.0**	**16,552**	**16.9**	**16,494**	**16.0**	**18,125**	**16.7**	**6,109**	**6,125**
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	2,089	2,132
Selected excise taxes	803	0.8	840	0.8	790	0.8	937	0.9	978	0.9	331	298
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	2,420	2,430
Income Tax	4,161	4.1	4,734	4.7	3,640	3.7	3,764	3.7	4,803	4.4	1,833	2,034
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	489	469
Export duties[3]	1,406	1.4	1,278	1.3	815	0.8	935	0.9	1,042	1.0	349	302
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	838	771
Vehicle tax	228	0.2	223	0.2	195	0.2	191	0.2	215	0.2	85	85
Other taxes	129	0.1	135	0.1	1,546	1.6	805	0.8	440	0.4	139	157
Total tax revenue	**14,460**	**14.1**	**15,588**	**15.6**	**14,017**	**14.3**	**14,078**	**13.7**	**15,422**	**14.2**	**5,315**	**5,477**
Non-tax revenue	**2,061**	**2.0**	**2,021**	**2.0**	**2,152**	**2.2**	**2,098**	**2.0**	**2,245**	**2.1**	**718**	**590**
Transfers	**95**	**0.1**	**471**	**0.5**	**383**	**0.4**	**318**	**0.3**	**458**	**0.4**	**76**	**58**
Total revenues	**20,381**	**19.9**	**20,344**	**20.3**	**18,556**	**19.0**	**18,170**	**17.6**	**20,233**	**18.7**	**6,724**	**6,662**
Current expenditure												
Interest accrual												
Foreign	715	0.7	971	1.0	1,148	1.2	1,614	1.6	2,074	1.9	580	881
Domestic	682	0.7	789	0.8	791	0.8	868	0.8	905	0.8	289	296
Total interest accrual	1,397	1.4	1,759	1.8	1,938	2.0	2,482	2.4	2,979	2.7	869	1,178
Wages and salaries	8,359	8.2	8,761	8.7	8,870	9.1	9,140	8.9	9,451	8.7	2,912	2,918
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	539	648
Other current expenditures	998	1.0	691	0.7	742	0.8	715	0.7	769	0.7	281	236
Transfers	1,737	1.7	863	0.9	1,028	1.1	1,155	1.1	1,651	1.5	518	934
Total current expenditure	**14,981**	**14.6**	**14,484**	**14.5**	**14,514**	**14.8**	**15,630**	**15.2**	**17,270**	**15.9**	**5,117**	**5,914**
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	680	285
Other	22	-	152	0.1	394	0.4	369	0.4	145	0.1	72	0
Capital Transfers	3,501	3.4	4,117	4.1	3,092	3.2	3,226	3.1	3,497	3.2	1,089	967
Total capital expenditure	**11,812**	**11.5**	**9,801**	**9.9**	**9,590**	**9.8**	**8,681**	**8.4**	**6,885**	**6.4**	**1,841**	**1,252**
Total Expenditure[3]	**26,794**	**26.2**	**24,285**	**24.5**	**24,103**	**24.6**	**24,312**	**23.6**	**24,154**	**22.3**	**6,958**	**7,166**
Adjustment on treasury accounts	-	-	-	-	n/a	n/a	n/a	n/a	-	0.0	-	-
Overall surplus or deficit	-6,413	-6.3	-3,941	-4.0	-5,548	-5.7	-6,142	-6.0	-3,921	-3.6	-234	-504

Source: Based on figures from the Central Bank June 2019 Monthly Bulletin (Table 2.2.1).

[1] Figures for the period from January 1, 2019 to April 30, 2019 were calculated based on aggregations of figures for the first quarter of 2019 and the month of April, 2019, as published in Table 2.2.1. Figures for the period from January 1, 2018 to April 30, 2018 were calculated based on the figures for the first quarter of 2018 as published in the same bulletin plus figures for the month of April 2018 as published in the August 2018 monthly bulletin.

[2] Revenues are cash, expenditures are accrued.

[3] 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 is primarily due to an increase in non-oil revenue as well as an optimization of investment projects.

For the first four months of 2019, Central Government revenues totaled U.S.$6,662 million, while total expenditures were U.S.$7,166 million. This resulted in a deficit of U.S.$504 million for the first four months of 2019, an increase in the deficit compared to the U.S.$234 million deficit for the first four 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 four months of 2019, the value-added tax generated U.S.$2,132 million of total tax revenues, an increase from the U.S.$2,089 million generated in the first four 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 income tax, which accounted for U.S.$2,034 million of tax revenues in the first four months of 2019, a decrease from U.S.$1,833 million of tax revenues in the first four 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.

The third largest component of tax revenues is social security contributions, which accounted for U.S.$1,882 million of tax revenues in the first four months of 2019, an increase from U.S.$1,799 million of tax revenues in the first four 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.

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 is 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%. As of the date of this Supplement, the Government's tax authorities are currently studying a proposal to create different tax rates for income from capital and income from labor, which as of the date of this Supplement are, with some exceptions, taxable at the same rate.

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.

2018 and 2019 Budgets

On November 1, 2017, President Moreno presented the 2018 Draft Budget to the National Assembly for approval. On November 17, 2017, the *Comisión del Régimen Económico* (the "Committee for Economic Regime") approved the 2018 Draft Budget and issued a report making recommendations with respect to it. Later, on November 29, 2017, the National Assembly approved the 2018 Draft Budget (the "2018 Budget"). The 2018 Budget provided for a budget of approximately U.S.$34.8 billion, a 5.3% decrease from the U.S.$36.8 billion approved for the 2017 Budget. The 2018 Budget assumed an average crude oil price of U.S.$41.92 per barrel, estimated a GDP rate growth of 2.04% and an average annual inflation rate of 1.38%. The 2018 Budget provided for about U.S.$18,325 million in tax revenues, U.S.$6,539 million in non-tax revenues and U.S.$9,988 million in financial revenues. As part of the Government's austerity measures, and following the Budget Vice-Secretary's report recommending budget cuts on permanent and non-permanent expenditures of the Republic's Executive function, on June 28, 2018, the Ministry of Economy and Finance issued Resolution No. 54 reducing the 2018 Budget by U.S.$500 million.

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, 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 provides for a budget of approximately U.S.$31,301 million. The 2019 Budget provides 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 assumes 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%.

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, 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 the China Development Bank, the issuance of the 2028 Notes, the GSI Repo Transaction, the CS Repo Transaction, and the issuance of the 2029 Notes.

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 Supplement, 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.$55,905.5 million as of June 30, 2019, compared to U.S.$47,978.3 million as of June 30, 2018. This increase in public sector aggregated debt was primarily due to the inclusion under the New Methodology of new debt instruments in the definition of public sector debt. Calculation of public sector external debt now includes oil presale contracts, the Central Bank's special drawing rights with the IMF and liabilities under intangible contractual rights. As for public sector internal debt, the New Methodology now 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 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. As of March 31, 2019, interest payments on all debt obligations represent approximately 0.7% of GDP. The ratio of total public sector aggregate debt to GDP increased from 46.1% as of June 30, 2018, to 51.2% as of June 30, 2019 under the New Methodology. As of June 30, 2019, interest payments on all debt obligations represent approximately 1.6% of GDP. The Organic Law for Productive Development, which became effective on August 21, 2018, provides that for the period from 2018 to 2021 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such 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 Noteholders*" 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 Supplement.

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 Additional 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 2029 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.

Public external debt as of March 31, 2019 was U.S.$37,080.3 million, an increase from U.S.$34,566.9 million as of March 31, 2018 due primarily to disbursements of loans from the China Development Bank and AFD, disbursements of outstanding loans with multilateral entities, the Republic's entrance into the GSI Repo Transaction and the CS Repo Transaction, and the issuance of the 2029 Notes. Under the New Methodology, public external debt as of June 30, 2019 was U.S.$39,279 million, an increase from U.S.$34,000 million as of June 30, 2018. This increase was primarily due to the issuance of the 2029 Notes in January 2019, the disbursements received during that period from multilateral organizations including the IMF in the amount of U.S.$1,987.4 million and the China Development Bank in the amount of U.S.$225 million, other disbursements from bilateral lenders, the inclusion in the definition of public external debt under the New Methodology of oil presale contracts, the Central Bank's special drawing rights with the IMF, and liabilities under intangible contractual rights. As of March 31, 2019, total indebtedness owed to multilateral institutions was U.S.$10,054 million. As of June 30, 2019, total indebtedness owed to multilateral institutions was U.S.$11,080 million. The Republic is current on all its obligations to multilateral institutions.

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 June 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	30,638	34,949
Public financial and non-financial entities	2,148	2,042	2,538	3,454	3,257	3,362	4,330
Total	**17,582**	**20,225**	**25,679**	**31,750**	**35,730**	**34,000**	**39,279**
External public debt as a percentage of nominal GDP[(4)]	17.3%	20.4%	25.7%	30.4%	32.6%	32.7%	36.0%

Source: Figures as of June 30, 2019, from the Ministry of Economy and Finance June 2019 Bulletin. Figures as of June 2018, from the Ministry of Economy and Finance June 30, 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) May 31, 2019 figures have been calculated following the New Methodology. It includes oil presale contracts, the Central Bank's special drawing

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 June 30,	
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019**[1]
Multilateral	6,560	7,928	8,247	8,488	9,462	8,331	11,080
Bilateral	6,145	6,425	7,998	7,405	6,770	6,832	6,678
Commercial and Bonds	4,877	5,873	9,434	15,858	19,498	18,837	21,522
Total Public Sector External Debt	**17,582**	**20,225**	**25,679**	**31,750**	**35,730**	**34,000**	**39,279**

Source: Figures as of June 30, 2019, from the Ministry of Economy and Finance June 2019 Bulletin. Figures as of June 30, 2018, from the Ministry of Economy and Finance June 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 the China Development Bank, the China Exim Bank and the French Development Agency.

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 March 31, 2019, the top three bilateral lenders to Ecuador were China, France and Spain, with debt levels of U.S.$5,711.2 million (84.5% of the total bilateral debt), U.S.$360.1 million (5.3% of the total bilateral debt) and U.S.$222.4 million (3.3% of the total bilateral debt), respectively. As of March 31, 2019, total indebtedness owed to bilateral entities was U.S.$6,760.3 million.

As of June 30, 2019, the top three bilateral lenders to Ecuador were China, France and Spain, with debt levels of U.S.$5,565.1 million (84.3% of the total bilateral debt), U.S.$383.4 million (5.7% of the total bilateral debt) and U.S.$221.5 million (3.3% of the total bilateral debt), respectively. As of June 30, 2019, total indebtedness owed to bilateral entities was U.S.$6,678.2 million. The Republic is current on all of its obligations to bilateral lenders.

Total indebtedness owed to multilateral institutions was U.S.$11,080 million as of June 30, 2019, U.S.$10,053.6 million as of March 31, 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 2016, Ecuador entered into four separate loan agreements with China Development Bank totaling U.S.$7,000 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, such as WTI plus or minus a spread, plus a premium paid due to the term of the contracts. The spread is calculated using Argus, a crude oil price assessment publication ("Argus") and 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 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 in 2012, totaling U.S.$2,000 million, has an eight-year term. The fourth loan agreement, signed on April 29, 2016, totaling U.S.$2,000 million, has a maturity of eight years and was signed as a result of the memorandum of understanding entered into between the parties on January 7, 2015, initially contemplating an amount of U.S.$1,500 million.

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.

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 the date of this Supplement, U.S.$64 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 Supplement, 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 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 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 *Empresa Municipal de Agua Potable y Alcantarillado de Guayaquil* ("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 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 the 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 March 12, 2019, the Republic entered into a U.S.$50 million loan facility with IDB, with a final amortization date of November 15, 2043, to finance a program aiming 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 10, 2019, the Republic entered into a U.S.$50 million loan facility with IDB, with a final amortization date of November 15, 2043, to finance a program aiming at increasing private participation in public investments in infrastructure and public services in 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 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 June 17, 2019, the Republic and the IBRD entered into a U.S.$500 million loan agreement with a final principal payment date of June 1, 2049, with the goal of promoting more efficient mobilization and allocation of government resources, removing barriers to private sector development and providing 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 arrangement under the IMF's Extended Fund Facility for Ecuador.

On July 3, 2019, the Republic and the IDB entered into a U.S.$150 million loan agreement with a final principal payment date of November 15, 2042, with the goal of providing support to the Republic's plan to diversify its energy matrix.

On July 12, 2019, the Republic and the IDB entered into a U.S.$93.9 million loan agreement with a final principal payment date of June 15, 2044, with the goal of promoting housing to poor and vulnerable communities under the Housing for All Project.

On July 22, 2019, the Republic and the IBRD entered into a U.S.$350 million loan agreement with a final principal payment date of March 15, 2049, with the goal of improving equity, integration and sustainability of social programs and providing technical assistance for capacity building, monitoring and evaluation of social programs.

On July 23, 2019, the Republic and the IDB entered into a U.S.$300 million loan agreement with a final principal payment date of April 15, 2039, with the goal of supporting the Government's plan for fiscal stability to facilitate sustainable growth and the preservation of the country's main indicators of 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.

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 June 30, 2019
Multilateral					
IDB	Variable	U.S.$	1971- 2019	2019-2049	5,445.2
CAF	Variable	U.S.$	2006- 2018	2019-2038	3,433.2
IMF	Variable	DEG	2019	2031	652.9
FLAR	Variable	U.S.$	2018	2021	368.8
Others[1]	Fixed, Variable	DEG, U.S.$	1970-2018	2019-2053	1,179.4
Total Multilateral Debt					**11,079.5**
Bilateral					
China	Fixed, Variable	RMB, U.S.$	2010-2018	2020-2038	5,565.3
Brazil	Variable	U.S.$	2012-2013	2022-2023	111.3
Spain	Fixed	U.S.$	1990-2016	2020-2042	221.4
France	Fixed, Variable	Euro, U.S.$	1988-2017	2018-2037	383.4
Italy	Fixed	Euro	1995-2016	2025-2048	16,4
Japan	Fixed, Variable	Yen, U.S.$	1996-2017	2024-2028	92,1
Others [2] [3]	Fixed, Variable	DEG, Won, Libra, Chf	1986-2013	2022-2053	371,3
Total Bilateral Debt					**6,678.2**
Other Debt [4]					**21,521.5**
Total External Debt					**39,279.3**

Source: Ministry of Economy and Finance as of June 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 June 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%	2,451	6%
3-5%	580.7	1.83%	662.6	1.9%	936	3%
5-8%[1]	8,192.1	25.80%	7,859.4	22.0%	7,838	20%
More than 8%[2]	10,439.1	32.88%	13,454.1	37.7%	14,111	36%
Floating Rate	10,875.8	34.25%	12,612.7	35.3%	13,941	35%
Total	**31,749.8**	**100%**	**35,695.5**	**100%**	**39,279**	**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 June 30, 2019 figures from Ministry of Economy and Finance June 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	**4,643**	**6,100**	**4,854**	**6,549**	**5,395**	**6,159**	**3,989**	**5,460**	**7,088**	**5,886**	**3,343**
Principal	2,288	3,620	2,469	4,326	3,446	4,523	2,524	4,105	6,049	5,334	3,036
Interest	2,355	2,480	2,385	2,222	1,949	1,636	1,465	1,355	1,039	551	307
Rest of Public Sector	**995**	**857**	**376**	**306**	**283**	**270**	**242**	**184**	**159**	**140**	**178**
Principal	846	718	265	208	195	187	177	136	121	109	152
Interest	150	139	110	99	89	83	65	48	38	31	25
Total Debt Service	**5,639**	**6,957**	**5,230**	**6,855**	**5,678**	**6,429**	**4,231**	**5,644**	**7,247**	**6,025**	**3,521**

Source: Ministry of Economy and Finance as of April 2019.

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 March 31, 2019, public sector aggregate internal debt was U.S.$14,134.5 million, a decrease from U.S.$14,364.3 million as of March 31, 2018. This decrease was primarily due to the repayment of debt obligations to holders of the Republic's notes. Under the New Methodology, as of June 30, 2019, public sector aggregate internal debt was U.S.$16,626.2 million, an increase from U.S.$13,978.3 million as of June 30, 2018. This increase was primarily due to the inclusion in the calculation of the public sector aggregate internal debt under the New Methodology of loans entered into by entities of the non-financial public sector with the Ecuadorian Development Bank and 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.

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 June 30,	
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019**
Central Government Notes	11,779	11,779	11,695	14,021	12,935	13,215	12,976
Governmental Entities [1]	780	766	762	765	799	763	3,650[2]
Total[3]	**12,558**	**12,546**	**12,457**	**14,786**	**13,734**	**13,978**	**16,626**
Internal public debt as a percentage of nominal GDP[4]	12.3%	12.6%	12.5%	14.2%	12.5%	13.4%	15.2%

Source: Ministry of Economy and Finance March 2019 Bulletin. Figures as of June 30, 2019 and June 30, 2018, from the Ministry of Economy and Finance June 2019 and June 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 June 30, 2019, approximately 78.0% 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 June 30, 2019, approximately 92.6% 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 March 31, 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.$3,613.4 million. As of June 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.$3,613.4 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 Supplement, 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 June 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	13,215	94.5	12,976	78.0
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**	**13,215**	**94.5**	**12,976**	**78.0**
Governmental Entities[4]	**780**	**6.2**	**767**	**6.1**	**762**	**6.1**	**765**	**5.2**	**799**	**5.8**	**763**	**5.5**	**3,650[5]**	**21.9**
Total internal debt[6]	**12,558**	**100**	**12,546**	**100**	**12,457**	**100**	**14,786**	**100**	**13,734**	**100**	**13,978**	**100**	**16,626**	**100**

Source: Figures as of December 31 from the Ministry of Economy and Finance March 2019 Bulletin. Figures as of June 30, 2018 and as of June 30, 2019, from the Ministry of Economy and Finance June 2018 and June 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 June 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 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such public debt ceiling will not apply. This new law provides that for the period from 2018 to 2021, a fiscal stability plan will be implemented by the Ministry of Economy and Finance. 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.

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 (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 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 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 will be required to publish public debt figures calculated using the New Methodology going back to October 2010. Once these past public debt figures are published using the New Methodology, those numbers may vary from the public debt figures presented in this Supplement 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 June 30, 2019 was 51.23%, a 5.13% increase compared to a 46.1% aggregate public debt to GDP ratio as of June 30, 2018 under the prior methodology. In the June 2019 Debt Bulletin, the Ministry of Economy and Finance disclosed public aggregate and consolidated debt figures as of June 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 five months prior to June 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 and May 31, 2019, were, respectively, 51.14%, 50.72%, 51.34%, 51.13% and 51.05%. These correspond to respective increases as compared to the aggregate public debt to GDP ratio under the prior methodology of 4.61%, 4.28%, 4.41%, 4.35% and 4.08%.

Certain of the total public debt and public debt to GDP ratio information set forth in this Supplement 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 June 30,	
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019**[1]
Aggregate Total Debt..........................	30,140	32,771	38,137	46,536	49,463	47,978	55,905
Aggregate Debt to GDP Ratio............	29.6	33.0	38.2	44.6	45.2	46.1	51.2[1]

Source: For figures as of June 30, 2019, from the Ministry of Economy and Finance June 2019 Bulletin. For figures as of June 30, 2018, from the Ministry of Economy and Finance June 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.

Using the aggregation methodology, the total public sector internal debt of Ecuador as of March 31, 2019 was U.S.$14,134.5 million, compared with U.S.$14,364.3 million as of March 31, 2018. This decrease was primarily due to the repayment of debt obligations to holders of the Republic's notes. Under the New Methodology, the total aggregate public sector internal debt of Ecuador as of June 30, 2019 was U.S.$16,626.2 million, compared with U.S.$13,978.3 million as of June 30, 2018. This increase was primarily due to the inclusion in the calculation of the public sector aggregate internal debt under the New Methodology of loans entered into by entities of the non-financial public sector with the Ecuadorian Development Bank and 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.

Using the consolidation methodology, the total internal debt of Ecuador, as of March 31, 2019, was U.S.$712.4 million, compared with U.S.$873.2 million as of March 31, 2018. This decrease in internal debt under the consolidation methodology was primarily due to repayment to private sector noteholders. Under the New Methodology, the total consolidated public sector internal debt of Ecuador, as of June 30, 2019, was U.S.$1,346.6 million, compared with U.S.$772.1 million as of June 30, 2018. The U.S.$15,281.5 million under the aggregation methodology figure for June 30, 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 is being carried out by the Production, Environment and Finance Audit Department of the Office of the Comptroller General, and will be led by a Supervisory Auditor. *Acuerdo* 024-CG-2017 also included provided that the Office of the Comptroller General may 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 Citizenship 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 May 2017. 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 citizenship oversight commission supported the Office of the Comptroller General during the audit process. 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 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) 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 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.

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 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such public debt ceiling will not apply. This new law provides that for the period from 2018 to 2021, a fiscal stability plan will be implemented by the Ministry of Economy and Finance, in light of the 40% public debt to GDP ratio ceiling having been exceeded had Decree 1218 not been in place. 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 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 will be required to publish public debt figures calculated using the New Methodology going back to October 2010. Once these past public debt figures are published using the New Methodology, those numbers may vary from the public debt figures presented in this Supplement 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 Noteholders*" 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 Supplement.

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: "[t]he 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 "[t]he 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, 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 next three years from six other multilateral agencies and development banks. As noted in the IMF's press release dated February 21, 2019, "[t]he 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 next 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 Inter-American Development Bank; 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 French Development Agency. 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 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, "[t]he 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 aiming 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. This draft bill is expected to be presented to the President by the Ministry of Economy and Finance in the weeks following this Supplement.

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.

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, on May 24, 2019, and on May 28, 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 US$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 following months, the Republic expects to enter into a U.S.$150 million loan agreement with the French Development Agency and a U.S.$640 million loan with the Latin American Reserve Fund.

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 and intends to make all payments as they become due and payable. 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 and intends to make all payments as they become due and payable. 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, within the context of a repo transaction with CS, see "*CS Repo Transaction*" below. The Republic intends to cancel an amount of U.S.$1,187,028,000 2022 Notes that it has received from CS following the substitution of the Additional Notes in accordance with the October 2018 CS-Ecuador Repurchase Agreement, 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. The Republic is current on its financial obligations under the 2026 Notes and intends to make all payments as they become due and payable. 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 U.S.$1,000 million of notes due 2029 with a coupon of 10.750% at 100% of the purchase price (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.

GSI Loan Facility

On October 11, 2017 the Republic and Goldman Sachs International ("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 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such 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 Noteholders*" 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 Supplement.

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 Supplement, 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 2020 Notes Indenture.

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 52.3%, under the New Methodology using the debt to GDP ratio information as of June 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.

CS Repo Transaction

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 ("GMRA") published by the International Securities Market Association and also includes a negotiated annex (an "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 Additional Notes are being 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 and pursuant to a notice of substitution dated August 1, 2019, on or about the date hereof: (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. The Republic expects to cancel the Substituted October 2018 Additional Notes pursuant to the terms of the 2022 Notes indenture.

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 or about the date hereof 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 Additional 2023 Notes are fully fungible with the 2023 Notes and the 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 52.3%, under the New Methodology using the debt to GDP ratio information as of June 30, 2019.

Other obligations

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 Supplement, 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 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 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. 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.

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 Minister of 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 20 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 amount due 30 days from the date of execution of the agreement and the remaining 50% of the total 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.

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.

On April 1, 2017, Ecuador entered into a U.S.$75 million loan with the 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 the date of this Supplement, U.S.$64 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 Supplement, 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 *Fondo Internacional de Desarrollo Agrícola* (the "International Fund for Agricultural Development") to finance the *Proyecto Dinamizador de Alianzas Inclusivas en Cadenas de Valor* (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 14, 2018, the Municipality of Guayaquil entered into a U.S.$49 million loan with the CAF for a construction project. The loan has a term of 10 years, with a 30-month grace period, and is guaranteed by Ecuador.

On September 26, 2018, the Republic increased an existing financing agreement with Credit Suisse 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 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 the 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 March 12, 2019, the Republic entered into a U.S.$50 million loan facility with IDB, with a final amortization date of November 15, 2043, to finance a program aiming 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 10, 2019, the Republic entered into a U.S.$50 million loan facility with IDB, with a final amortization date of November 15, 2043, to finance a program aiming at increasing private participation in public investments in infrastructure and public services in 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 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 June 17, 2019, the Republic and the IBRD entered into a U.S.$500 million loan agreement with a final principal payment date of June 1, 2049, with the goal of promoting more efficient mobilization and allocation of government resources, removing barriers to private sector development and providing 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 arrangement under the IMF's Extended Fund Facility for Ecuador.

On July 3, 2019, the Republic and the IDB entered into a U.S.$150 million loan agreement with a final principal payment date of November 15, 2042, with the goal of providing support to the Republic's plan to diversify its energy matrix.

On July 12, 2019, the Republic and the IDB entered into a U.S.$93.9 million loan agreement with a final principal payment date of June 15, 2044, with the goal of promoting housing to poor and vulnerable communities under the Housing for All Project.

On July 22, 2019, the Republic and the IBRD entered into a U.S.$350 million loan agreement with a final principal payment date of March 15, 2049, with the goal of improving equity, integration and sustainability of social programs and providing technical assistance for capacity building, monitoring and evaluation of social programs.

On July 23, 2019, the Republic and the IDB entered into a U.S.$300 million loan agreement with a final principal payment date of April 15, 2039, with the goal of supporting the Government's plan for fiscal stability to facilitate sustainable growth and the preservation of the country's main indicators of 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.

PLAN OF DISTRIBUTION

The Republic will substitute and transfer the Additional Notes at the offering price set forth on the cover page of this Supplement outside the United States in reliance on Regulation S. The price at which the Additional Notes are issued may be changed at any time without notice.

The Additional Notes have not been and will not be registered under the Securities Act or any state securities law and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. With respect to the offer and sale of the Additional Notes by the Republic, no Additional Notes will be offered and sold in the United States or to U.S. persons. See "*Transfer Restrictions*" on each Offering Circular.

Although an application has been made to list the Additional Notes on the Official List of the Luxembourg Stock Exchange and to have the Additional Notes trade on the Euro MTF Market, the listing does not assure that a trading market for the Additional Notes will develop. No assurance can be given as to how liquid the trading market for the Additional Notes will be. The Republic cannot provide any assurances that the prices at which the Additional Notes will trade in the market after this offering will not be lower than the initial offering price or that an active trading market for the Additional Notes will develop and continue after this offering.

See sections "Selling Restrictions" in each of the Offering Circulars.

No action has been taken by the Republic that would, or is intended to, permit a public offer of the Additional Notes in any country or jurisdiction where any such action for that purpose is required.

Accordingly, the Republic will not, directly or indirectly offer or sell any Additional Notes or distribute or publish any Offering Circular Supplement, this Supplement and the Offering Circulars, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Additional Notes by it will be made on the same terms.

Notice to Ecuadorian Residents

The Additional Notes are not registered in the *Catastro Público del Mercado de Valores*, CPMV ("Securities Market Public Registry of Ecuador") subject to the control and supervision of the Superintendence of Companies, Securities and Insurance ("SCVS").

As unregistered securities, the Republic is not required to disclose public information about the Additional Notes in Ecuador. The Additional Notes may not be publicly offered in Ecuador unless they are registered in the CPMV.

This Supplement and other offering materials relating to the offer of the Additional Notes do not constitute a public offer of, or an invitation to subscribe for or purchase, the Additional Notes in the Republic of Ecuador, and the contents herein have not been approved by the SCVS.

VALIDITY OF THE ADDITIONAL NOTES

The validity of the Additional 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. 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.

In connection with the issuance of the Additional Notes, the Attorney General issued a "Pronouncement" in relation to the Additional Notes, which constitutes 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 Additional Notes, as well as the submission to arbitration provisions set out therein.

GENERAL INFORMATION

1. The Global Notes have been accepted for clearance and settlement through Euroclear and Clearstream, Luxembourg.

The common codes for the Regulation S Global Note and the Restricted Global Note with respect to the 2023 Notes are 162676873 and 162676865, respectively, and the International Securities Identification Numbers for the Regulation S Global Note and the Restricted Global Note are XS1626768730 and XS1626768656, respectively.

The common codes for the Regulation S Global Note and the Restricted Global Note with respect to the 2026 Notes are 153507198 and 153507210, respectively, and the International Securities Identification Numbers for the Regulation S Global Note and the Restricted Global Note are XS1535071986 and XS1535072109, respectively.

2. The Republic has obtained all necessary consents, approvals and authorizations in the Republic of Ecuador in connection with the issue and performance of the Additional Notes.

The issue of the original 2023 Notes was authorized by the Republic's Debt and Finance Committee under *Acta Resolutiva* No. 011 dated May 30, 2017.

The issue of the reopened 2023 Notes was authorized by the Republic's Debt and Finance Committee under *Acta Resolutiva* No. 0014 dated October 10, 2017, *Acta Resolutiva* No. 010 dated October 10, 2018, and *Acta Resolutiva* No. 010-2019, dated May 21, 2019.

The issue of the original 2026 Notes was authorized by the Republic's Debt and Finance Committee under *Acta Resolutiva* No. 029 dated December 8, 2016.

The issue of the reopened 2026 Notes was authorized by the Republic's Debt and Finance Committee under *Acta Resolutiva* No. 02 dated January 10, 2017 and *Acta Resolutiva* No. 0014 dated October 10, 2017.

The issue of the Additional Notes was authorized by the Republic's Debt and Finance Committee under *Acta Resolutiva* No. 021-2019 dated July 10, 2019.

3. The Republic is involved in certain litigation and administrative arbitration proceedings. See "*Legal Proceedings*" in this Supplement.

4. On November 28, 2017, Moody's Investors Service affirmed the Republic's long-term Government bond ratings at "B3" with a "stable outlook." On September 30, 2017, Standard & Poor's Ratings Services affirmed the Republic's foreign long-term issuer rating at "B" with a "stable outlook." On June 29, 2017, Standard & Poor's Ratings Services 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 was affirmed at "B," but the rating outlook was revised from "stable" to "negative." On September 13, 2017, Fitch Ratings affirmed the Republic's long-term foreign currency issuer default rating at "B" with a "negative" rating outlook. On August 17, 2018, Fitch Ratings 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 Investors Service 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." *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 Additional Notes. Each rating should be evaluated independently of the others. Detailed explanations of the ratings may be obtained from the rating agencies.*

5. Application has been made to list the Additional Notes on the Official List of the Luxembourg Stock Exchange and to have the Additional Notes admitted to trading on the Euro MTF Market. So long as any of

the Additional Notes are listed on the Luxembourg Stock Exchange, the Republic will maintain a paying agent in Luxembourg.

6. 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 in Luxembourg so long as any of the Additional Notes are listed on the Luxembourg Stock Exchange:

(a) the Indentures incorporating the forms of the respective Global Notes,

(b) this Supplement,

(c) the Offering Circulars,

(d) copies of the 2008 Constitution, and the Legislative Decrees of the Republic referred to in paragraph 2 above (in Spanish), and

(e) copies of the Republic's consolidated public sector fiscal accounts for the last calendar year (as and when available in English).

7. Other than as disclosed herein, including information that has been updated as of ………, 2019, and in the Offering Circulars, 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 Additional Notes.

8. Save as disclosed in "*Legal Proceedings*" in this Supplement, 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 Additional Notes nor, as far as the Republic is aware, is any litigation pending or threatened.

Glossary of Defined Terms

1995 Settlement 92
2012 and 2030 Notes 168
2012 Notes 168
2015 Notes 169
2017 Election 11
2017 Equivalent Property 172
2017 Reopened Notes 171
2018 Budget 147
2018 Equivalent Property 175
2019 Budget 147
2019 Draft Budget 147
2019 Organic Law to Reform the Organic Law of Public Service 67
2020 Notes 169
2022 Notes 169
2023 Indenture 1
2023 Notes 1, 170
2023 Offering Circular 1
2024 Notes 169
2026 Indenture 1
2026 Notes 1, 170
2026 Offering Circular 1
2027 Notes 170
2028 Notes 171
2029 Notes 171
2030 Notes 168
Accidents Investigation Board 67
Action Plan for the Strengthening of Public Finances 54
Additional 2023 Notes 1
Additional 2026 Notes 1
Additional Amount 175, 177
Additional Assets 172
Additional Notes 1
Advisory Council Executive Committee 29
AFD 152
AGD 95
Agency for the Quality Assurance of Agriculture of Ecuador 43
ALADI 44
ALBA 45
Albacora 99
Amended August 2018 GSI Ecuador Repurchase Transaction 174
Amended August 2018 GSI-Ecuador Repurchase Agreement 176
Annex 174, 176
Anticorruption Secretariat of the Presidency of the Republic 68
APM 96
April 2019 Debt Bulletin 10
ARCH 78
Argus 151
Article 50 6
Article 50 Notice 6
ATP-DEA 45
August 2018 Additional Notes 174
August 2018 GSI Ecuador Repurchase Agreement 174
August 2018 GSI Ecuador Repurchase Transaction 174
August 2018 Repo Confirmation 174
Austerity Decree 30
Autonomous Decentralized Governments 50
BIESS 90
Bond Derivative Transaction 171
bpd 15
Brady Bonds 168
Brady Plan 168
Brexit Vote 6
BSA 127
Business lending rate 131
CAF 26
CAIC 7
CAITISA 42
Canacol 72
Capital Markets Law 129
CCS 97
CELAC 39
Center for Arbitration and Mediation of Quito Chamber of Commerce 96
Center of Strategic Intelligence 33
Central Bank 8
Central Bank Certificates 119
Central Government 142
CEREPS 50
CETES 10
CFI 97
CFI-TRAINSAINER contract 98
CFN 122
CGR Audit Report 8
CGR CETES Report 10, 38
Chevron 75
Citizen Oversight Commission 8
Civil Procedure Code 57
Claro 82
Clearstream 1
CNE 11
CNT 34
Combined Dispute Board 97
Committee for Economic Regime 147
Committee for Securities Market Regulation 56

Committee on Foreign Trade 45, 111
Community of Andean Nations 44
Comprehensive Law of Redistribution of Income for Social Expenditures 55
CONSEP 45
Consolidation Decree 69
contingent liabilities 7, 19, 176
contingent liability 9
Corporate lending rate 131
COSEDE 56
CPI 133
CRCC 79
CS 176
CS Equivalent Property 177
CS Reopened Notes 176
CS-Ecuador GMRA 176
Currency Outflow Tax 55
Debt 61, 173
Debt and Finance Committee 49
Decree 100 11
Decree 1218 8
Decree 314 71
Decree 315 71
Decree 338 77
Decree 537 9
Decree 578 69
Decree 619 77
Decree 649 51
Decree 709 34
Decree 714 34
Decree 718 34
Decree 723 16
Decree 724 78
Decree 826 44
Decree 828 68
Decree 9 12
Deposit Guarantee Agency 95
Discount Notes 168
Ecuadorian Business Committee 11
Ecuadorian Development Bank 118
Ecuadorian Institute for Intellectual Property 94
Ecuadorian Social Security Institute 89
Ecuadorian Space Institute 32
Ecuadorian Stock Exchanges 129
Education lending rate 131
EEA 1
Electoral Branch 35
Electoral Dispute Settlement Court 27
EMAPAG EP 153, 181
Employment Partner Network 87
Environmental Improvement and State Resources Optimization Law 55
Environmental Sanitation for Community Development Program 154
EPC Contract 97
ETAP 122
Eurobonds 168
Euroclear 1
Exclusion and Transfer of Assets and Liabilities 122
FAO 82
FARC 23
FCC 76
FEIREP 135
Finance Ministry 27
Financial and Economic Analysis Agency 67
Financial Safety Net Law 50
First Instance Courts 35
First Superior Court of the First Judicial District 98
Foreign Commerce and Investment Council 110
Forum for Latin America's Progress and Development 39
Further Notes 172, 174
General Regulation to the Mining Law 51
Gente Oil 98
Global Notes i
GMRA 174, 176
Gold 171
Gold Derivative Transaction 171
Government Counselor 28
GSI 171
GSI Loan Facility 171
GSI-Ecuador GMRA 174
Housing for All Project 30
Human Development Bond 89
Hutchison 96
Hydrocarbons Regulatory Agency 78
IBRD 26, 153, 181
ICE 145
IE Notes 168
IEPI 94
IESS 89
Indentures 1
INDRA 101
Institute for the Promotion of Foreign Exports and Investments 33
Institute of Languages, Sciences and Ancestral Knowledge 32
Integral Organic Law to Prevent and Eradicate Violence Against Women 62
Intercultural Education Law 91
Internal Revenue Service 32
International Commission against Corruption 68
International Fund for Agricultural Development 181
intra-governmental debt 18, 159
Investigative Commission 12
ISSFA 89
ISSPOL 89
JCD 97

Judiciary Council 35
Labor Justice and Home Maker Recognition Law 57
Latin American Integration Association 111
Law 98-17 159
Law Creating the Del Río University-UDR 65
Law for Market Power Control and Regulation 55
Law for the Recovery of the Use of Oil Resources of the State and Administrative Rationalization of Indebtedness 50
Law for the Regulation of Housing and Automobile Loans 55
Law for the Remission of Interest, Penalties and Surcharges 57
Law of Popular and Solidary Economy 122
Law of Solidarity 58
Law on Incentives for Public-Private Joint Ventures and Foreign Investment 58
Law on Tax Incentives 59
Law Organic Law Reforming the Organic Law of Electric Power Public Service 67
Law Reforming the Civil Aviation Law 63
Law Reforming the Civil Aviation Law and the Aeronautics Code, on Airplane Accidents and Incidents 67
Law Reforming the Financial Institutions Law and the Restructuring Financial Taxes Law 55
Law Reforming the Organic Law on Higher Education 63
Law Reforming the Social Security Law 63
Law Reorganizing Economic Matters in the Tax and Finance Areas 122
Law to Balance Public Finances 58
Law to Eliminate Money Laundering and the Financing of Crimes 59
Law to Eliminate Speculation on Land Values and Tax Fixing 60
Law to Reform the Organic Law of Public Service and Labor Code 60
Law to Regulate Companies that Finance Pre-paid Health Services and Health Insurance Companies 59
Law to Restructure Debt of Public Banks and Closed Banks 61
Law to Strengthen and Optimize the Corporate and Securities Sector 56
Law to Strengthen the Social Security System of the Armed Forces and National Police 59
Libertador-Atacapi 72
LIBOR 168
Liquidity Fund 121
Living Wage 86
Loan-loss Reserve 120
Locally Issued Notes 172
LOREYTF 50
LPG 76
Maximum Actual Credit Cost Law 130
May 2019 Additional 2023 Notes 171
Medium and small business lending rate 131
Merck 96
Meteorology and Hydrology Institute 34
Microcredit increased accumulation lending rate 131
Microcredit simple accumulation lending rate 131
Microcredit subsistence accumulation lending rate 131
MICSE 68
Military Geographic Institute 34
Mining Law 51
Ministry for the Coordination of Production, Employment and Competition 28
Ministry of Agriculture, Livestock, Aquaculture and Fishing 28
Ministry of Aquaculture and Fisheries 33
Ministry of Coordination and Economic Politics 27
Ministry of Coordination of Strategic Sectors 68
Ministry of Defense 32
Ministry of Economy and Finance 8, 27
Ministry of Education 32
Ministry of Education and Sports 32
Ministry of Electricity and Renewable Energy 32, 71
Ministry of Employment 34, 86
Ministry of Energy and Non-Renewable Natural Resources 32, 71, 75
Ministry of Foreign Trade and Investments 32
Ministry of Government 34
Ministry of Hydrocarbons 32, 69, 71
Ministry of Industries and Productivity 32
Ministry of Justice 32
Ministry of Justice, Human Rights and Religions 33
Ministry of Knowledge and Human Talent 28
Ministry of Mines 69
Ministry of Mining 32, 71
Ministry of Production, Foreign Trade and Investment 33
Ministry of Production, Foreign Trade, Investments and Fisheries 33
Ministry of Security 28
Ministry of Sport 32
Ministry of Strategic Sectors 28
Ministry of the Environment 32
Ministry of the Interior 34
Mixed Economy Pacific Refinery Company 100
mmscfd 78

Monetary and Financial Policy and Regulation Board 56
Movistar 82
Multiparty Trade Agreement 42
National Anticorruption Commission 68
National Assembly 8
National Committee for Energy Efficiency 66
National Council for Citizen Participation and Social Control 30
National Council for Planning 28
National Council on Wages 54
National Counsel for the Control of Narcotics and Psychotropic Drugs 45
National Customs Service 32
National Decentralized System of Participative Planning 51
National Development Plan 15
National Environmental Authority 61
National Plan of Energy Efficiency 66
National Secretariat of Administration 27
National Secretariat of Communication 33
National Secretariat of Politics Management 34
National Service for Public Procurement 67
National Service for Risk Management 33
National Service for the Integral Assistance to Adults Deprived of their Liberty and Young Offenders 33
National Services Commission 56
National System for Energy Efficiency 66
National Telecommunications Corporation 34
NCEE 66
New Commercial Code 67
New Methodology 10
Non-registered commerce 104
Notes 1
OAS 11
OCP 72, 98
October 2018 Amendment 174
October 2018 CS-Ecuador Repurchase Agreement 176
October 2018 CS-Ecuador Repurchase Transaction 176
October 2018 Repo Confirmation 176
OECD 41
Offering Circulars 1
Office for Environmental Management 61
Office of the Comptroller General 8
Office of the Prosecutor General 9
Official Credit Institute of Spain 179
Oil & Gas 74
Old Notes 168
OPEC 14
OPEC Agreement 15
Ordinary commercial lending rate 131
ordinary consumer credits 132
Organic Administrative Code 61
Organic Code for the Environment 61
Organic Law for Intercultural Education 65
Organic Law for Productive Development 63
Organic Law for the Application of the Referendum 62
Organic Law for the Citizenship Security and Public Order Entities 61
Organic Law for the Institutionalization of the Live Arts Festival in Loja as a Place for the Gathering and Promotion of Ecuador's Cultural Expressions and Identity 65
Organic Law for the Integral Planning of the Special Amazon Territorial Circumscription 63
Organic Law for the National System of Road Infrastructure for Ground Transportation 61
Organic Law for the Optimization and Efficiency of Bureaucratic Procedures 64
Organic Law for the Reactivation of the Economy, Strengthening of Dollarization and Modernization of Financial Management 31, 62
Organic Law Interpreting the Ninth General Section of the Organic Law on Intercultural Education 65
Organic Law of Border Development 63
Organic Law of Electric Power Public Service 66
Organic Law of Energy Efficiency 66
Organic Law on Prevention and Punishment of Violence in Sports 66
Organic Law on the Elderly 66
Organic Law on the Ombudsman Office 66
Organic Law Reforming the Civil Procedure Code 57
Organic Law Reforming the Organic Code of Production, Trade and Investment and the Organic Law of Solidarity 55, 65
Organic Law Reforming the Organic Law of Communication 65
Organic Law Reforming the Organic Law of the Council for Citizen Participation and Social Control 63
Organic Law Repealing the Organic Law to Eliminate Speculation on Land Values and Tax Fixing 62
Organic Law to Reform the Organic Law of Public Service 62
Organic Law to Reform the Organic Law of Public Service and the Labor Code to Prevent Labor Harassment 62
Original 2020 Issuance 169
Original 2022 Issuance 169
Original 2023 Issuance 170

Original 2026 Issuance 170
Original Notes 1
Other debt 156
Other exports 104
OTI 75
Pacific Alliance 45
PAM 2019 Notes 170
PAM First Remarketing Notes 170
PAM Second Remarketing Notes 170
Par Notes 168
Pardaliservices S.A. 72
PDI Notes 168
Perenco 94
Petroamazonas 15
Petroecuador 9
Plan of Prosperity 15
PLANEE 66
priority consumer credits 132
Production Code 50
Program for Public Finance 128
PROPHAR, S.A. 96
PROSPECTUS REGULATION 1
Prosur 39
Provincial Courts of Justice 35
PTT International 74
Public Companies Coordinator Company 15
Public Corporations Law 51
Public Defender 35
Public Planning and Finance Code 8, 52, 64, 163
Purchase Price 174, 176
Quito Stock Exchange 129
Reform Act to the Internal Tax Regime Law and the Reform Act for Tax Equity in Ecuador 50
Regional Payment Compensation Unitary System 111
Regulation Implementing the Public Debt to GDP Ratio Calculation Methodology 10
Regulation S i
Regulation S Global Note i
Regulation to the Organic Law for Productive Development 10
Remaining August 2018 Additional Notes 175
Repo Substitution 174
Republic” or “Ecuador 1
Repurchase Price 175, 177
Restricted Global Note i
Revitalizing Project of Inclusive Alliances in Value Chains 181
Revolutionary Armed Forces of Colombia 23
Rule 144A i
Schlumberger 72
Scientific-Technological and Fiscal Stability Social and Productive Reactivation Special Account 50
Second 2027 Notes 171
Secretariat for Human Rights 33
Secretariat for Internal Boundaries 32
Secretariat for Risk-Management 32
Secretariat for the National Development 27
Secretariat for Water 32
Secretariat of Communication of the Presidency 33
Secretariat of Hydrocarbons 32, 71
Secretariat of Intelligence 33
Secretariat of Sports 32
Securities Act 1
SENAE 111
SENPLADES 8
SEPS 129
Sertecpet 72
Shaya 73
Shushufindi 72
SNEE 66
SOTE 75
Special Audit 8
Special Consumer Good Tax 145
Stabilization, Social Investment and Public Indebtedness Reduction Fund 135
Substituted August 2018 Additional Notes 176, 178
SUCRE 111
Superintendency of Information and Communication 65
Superintendent of Banks 35
Superintendent of Companies, Securities and Insurance 129
Superintendent of the Popular Economy 129
Supplement 1
Swap Agreement 172
Tax Culture Day 145
Technical Secretariat for Affordable Housing, Development and Youth Employment 28
Tecpetrol 72
Telecommunications Law 57
Temporary Merger Unit 16
Transitional Citizen Participation and Social Control Council 33
Transparency and Social Control Branch 35
Transparency Committee 68
Tribunal of Penal Safeguards of the Quitumbe Judicial Unit 27
Trustee 1
Twelfth Court of the Civil Circuit in the First Circuit of Panama 98
UDR 65
UNASUR 11
UNCITRAL Rules 64
VAT 25
Yachay 84
Zero Routine Flaring by 2030 74

ISSUER

The Republic of Ecuador
Ministry of Economy and Finance
Av. Amazonas entre Pereira y Unión Nacional de Periodistas.
Plataforma Gubernamental de Gestión Financiera. Pisos 10 y 11.
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Luxembourg

Investors should rely only on the information contained in the Offering Circular and this Supplement or to which the Republic of Ecuador has referred investors. Ecuador has not authorized anyone to provide information that is different from the information contained in the Offering Circular and this Supplement. This Supplement and the Offering Circular may only be used where it is legal to sell these Additional Notes. The information in this Supplement may only be accurate on the date of this Supplement.

The Republic of Ecuador

U.S.$610,359,000
8.750% Notes due 2023
U.S.$611,870,000
9.650% Notes due 2026

Offering Circular Supplement

August 9, 2019

APPENDIX A:
Original Offering Circular dated May 30, 2017, and its supplements dated October 11, 2017 and May 31, 2019, with respect to the 2023 Notes.

OFFERING CIRCULAR

The Republic of Ecuador
U.S.$1,000,000,000 8.750% Notes due 2023
U.S.$1,000,000,000 9.625% Notes due 2027

The Republic of Ecuador (the "Republic" or "Ecuador") is offering U.S.$1,000,000,000 aggregate principal amount of its 8.750% Notes due 2023 (the "2023 Notes") and U.S.$1,000,000,000 aggregate principal amount of its 9.625% Notes due 2027 (the "2027 Notes") (the "Notes"). Interest on the Notes will be payable semi-annually in arrears on June 2 and December 2 of each year, commencing December 2, 2017. We refer to the 2023 Notes and the 2027 Notes individually as a "Series of Notes" and together as the "Notes".

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 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."

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 constitutes a prospectus for the purpose of the Luxembourg Law dated July 10, 2005 on prospectuses for securities, as amended. 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 28 regarding certain risk factors you should consider before investing in the Notes.

2023 Notes Price: 100.000%
2027 Notes Price: 100.000%
plus accrued interest, if any, from June 2, 2017

Delivery of the Notes will be made on or about June 2, 2017.

The Notes have not been and will not 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"). You 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.

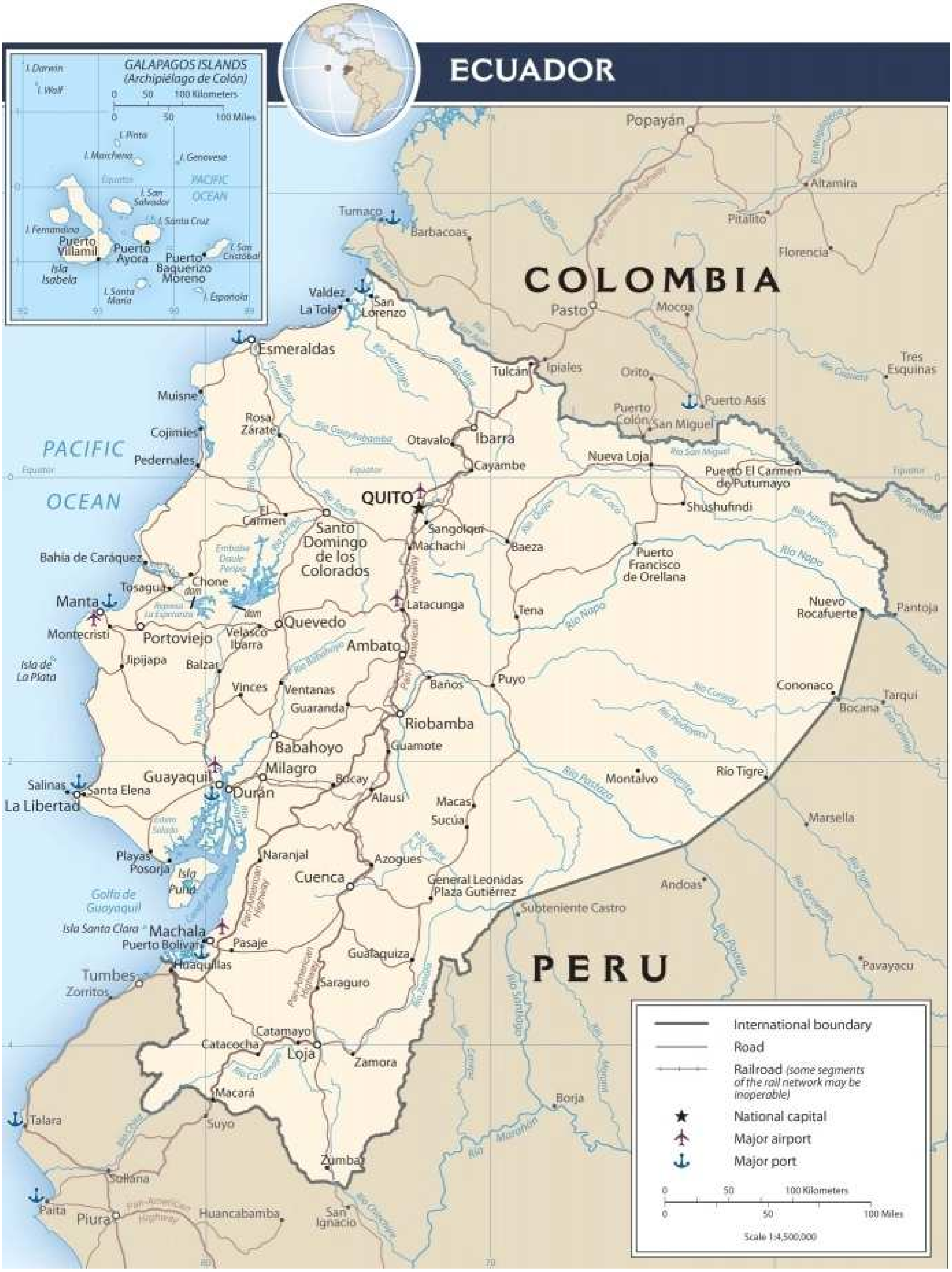
The Notes will be represented by one or more permanent global notes in fully registered form without interest coupons, deposited with a common depositary for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"). Beneficial interests of Euroclear participants 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."

ANY OFFER OR SALE OF NOTES IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (THE "EEA") THAT HAS IMPLEMENTED DIRECTIVE 2003/71 EC (THE "PROSPECTUS DIRECTIVE") MUST BE ADDRESSED TO QUALIFIED INVESTORS (AS DEFINED IN THE PROSPECTUS DIRECTIVE).

Lead Manager and Global Coordinator

Citigroup

The date of this Offering Circular is May 30, 2017.


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
COLOMBIA
PERU
PACIFIC OCEAN
Popayán
Altamira
Pitalito
Florencia
Tumaco
Barbacoas
Pasto
Mocoa
Valdez
La Tola
San Lorenzo
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
Embalse Daule-Peripa
Chone
Tosagua
Manta
Montecristi
Portoviejo
Latacunga
Tena
Nuevo Rocafuerte
Pantoja
Velasco Ibarra
Quevedo
Ambato
Isla de La Plata
Jipijapa
Balzar
Vinces
Ventanas
Baños
Puyo
Cononaco
Bocana
Tarqui
Guaranda
Riobamba
Babahoyo
Guamote
Milagro
Guayaquil
Salinas
Santa Elena
La Libertad
Durán
Bucay
Alausí
Macas
Sucúa
Montalvo
Río Tigre
Marsella
Playas
Posorja
Isla Puná
Naranjal
Azogues
Cuenca
General Leonidas Plaza Gutiérrez
Andoas
Golfo de Guayaquil
Isla Santa Clara
Subteniente Castro
Machala
Puerto Bolívar
Pasaje
Gualaquiza
Pavayacu
Tumbes
Huaquillas
Zorritos
Saraguro
Catamayo
Catacocha
Loja
Zamora
Macará
Borja
Talara
Suyo
Zumba
Sullana
Paita
Piura
Huancabamba
San Ignacio
Río Napo
Río Pastaza
Río Curaray
Río Morona
Río Santiago
Río Marañón
Río Chinchipe
Río Catamayo
Río Chira
Río Putumayo
Río San Miguel
Río Aguarico
Río Coca
Río Guayllabamba
Río Esmeraldas
Río Daule
Río Babahoyo
Río Guayas
Río Tigre
Río Paute
Río Zamora
Río Mira
Río San Juan
Río Caquetá
Pan-American Highway
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 AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND THE RISKS INVOLVED.

You should rely only on the information contained in this Offering Circular or to which the Republic of Ecuador has referred you. Ecuador has not, and the Lead Manager has not, authorized anyone to provide you with 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

PRESENTATION OF INFORMATION v
FORWARD-LOOKING STATEMENTS v
ARBITRATION AND ENFORCEABILITY viii
EXCHANGE RATE INFORMATION xi
SUMMARY 1
The Republic of Ecuador 1
The Ecuadorian Economy 4
Balance of Payments and Foreign Trade 7
Monetary System 8
Public Sector Finances 10
Public Debt 11
Selected Economic Indicators 17
THE OFFERING 19
RISK FACTORS 28
Risk Factors Relating to the Notes 28
Risk Factors Relating to Ecuador 30
USE OF PROCEEDS 39
THE REPUBLIC OF ECUADOR 40
Territory, Population and Society 40
Historical Background 43
Form of Government 43
Memberships in International Organizations and International Relations 46
THE ECUADORIAN ECONOMY 49
Gross Domestic Product 49
Economic and Social Policies 52
Strategic Sectors of the Economy 61
Other Sectors of the Economy 71
LEGAL PROCEEDINGS 79
BALANCE OF PAYMENTS AND FOREIGN TRADE 88
Balance of Payments 88
Current Account 92
Capital and Financial Account 93
Foreign Trade 94
Regional Integration 96

Foreign Direct Investment 101
MONETARY SYSTEM 103
The Central Bank 103
Financial Sector 104
Banking System 108
Banking Sector 112
Cooperative Banks 113
Capital Markets 113
Interest Rates and Money Supply 114
PUBLIC SECTOR FINANCES 119
Overview 119
Non-Financial Public Sector Revenues and Expenditures 121
Taxation and Customs 125
Foreign Aid 127
Central Government Expenditures 127
2015, 2016 and 2017 Budgets 127
PUBLIC DEBT 129
General 129
External Debt 130
Internal Debt 134
Debt Obligations 136
DESCRIPTION OF THE NOTES 142
SUBSCRIPTION AND SALE 160
BOOK-ENTRY SETTLEMENT AND CLEARANCE 167
Global Notes 167
Exchanges between the Global Notes 167
Book-Entry Procedures for the Global Notes 168
Certificated Notes 169
TRANSFER RESTRICTIONS 170
TAXATION 173
VALIDITY OF THE NOTES 177
GENERAL INFORMATION 178

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 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. Each Series of Notes sold in offshore transactions in reliance on Regulation S under the Securities Act will be represented by one or more permanent global notes in fully registered form without interest coupons (the "Regulation S Global Note") and each Series of 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 (the "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 a common depositary for, 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" and "Subscription and Sale."

The Republic has taken reasonable care to ensure that the information contained in this Offering Circular 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.

This Offering Circular does not constitute an offer by, or an invitation by or on behalf of, the Republic or the Lead Manager 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 Lead Manager to inform themselves about and to observe any such restrictions. See "Subscription and Sale" and "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 purchaser of Notes sold outside the United States in reliance on Regulation S will be deemed to have represented that it is not purchasing Notes with a view to distribution thereof in the United States.

Each person purchasing Notes pursuant to Rule 144A will be deemed to:

- represent that it is purchasing 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 purchasing Notes pursuant to Rule 144A 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 the preliminary and final offering circulars supersede any other information or presentation regarding the Republic;
- it has not relied on the Lead Manager or any person affiliated with the Lead Manager in connection with its investigation of the accuracy of the information contained in this Offering Circular or its investment decision; and
- 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 Lead Manager.

IN CONNECTION WITH THIS ISSUANCE OF NOTES, THE LEAD MANAGER 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 National Assembly 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 credit rating of the Republic;
- the impact of changes in the international price of commodities;
- 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 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 allow 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 Closing 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. 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.

(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 contained in 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, 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 after an homologation process before a Provincial Civil Court of Justice, without re-examination of the issues, provided that it complies with the requirements established in the treaty between Ecuador and the country in which such award 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.

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, 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 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.*

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.

In 2006, former president Rafael Correa was elected with 56.67% of the vote. Prior to former President Correa taking office, protests in Quito contributed to the mid-term ouster of three of Ecuador's last four democratically elected Presidents. Former President Correa was re-elected in general elections held in February 2013 with 57.17% of the vote.

Upon taking office, former President Correa believed that significant reforms were necessary to rectify years of corruption, especially in regards to economic and financial matters. To do so, former President Correa called for a referendum to write a new constitution, which was approved by the electorate and the National Assembly (the "2008 Constitution"). The 2008 Constitution provided the foundation for the economic and financial reform initiatives of the Correa administration. These reforms were consistent with the Correa administration's objective to promote economic growth, while reducing poverty and inequality and fostering social progress.

On June 26, 2014, the President of the National Assembly submitted a request to the *Corte Constitucional* (the "Constitutional Court") soliciting their opinion as to whether certain proposals, including one that would allow for re-election of the President of Ecuador for an indefinite number of terms, were constitutional amendments or constitutional reforms. Constitutional amendments require only the approval of two-thirds of the National Assembly while constitutional reforms require both the approval of a two-thirds vote in the National Assembly and a majority of the population eligible to vote in a popular referendum. On November 1, 2014, the Constitutional Court ruled that the proposals were constitutional amendments and therefore did not require a popular referendum. In December 2015, the National Assembly approved the proposals, including an amendment allowing for the indefinite re-election of the president. However, a transitional provision was included stating that the amendment will not be effective before May 24, 2017, and thus it did not apply to former President Correa, whose term finished on May 23, 2017.

On February 19, 2017 (the "2017 Election") the presidential election was held with eight candidates. Lenin Moreno of former President Correa's Alianza PAIS came in first with 39.36% of the vote and Guillermo Lasso of the CREO - SUMA party, came in second with 28.09% of the vote. Also, on February 19, a congressional election was held with Alianza PAIS preserving control of the legislative assembly by winning the majority of seats with 74 seats, CREO-SUMA with 28 seats and PSC with 15 seats, respectively. Since no candidate gained an outright victory of 50% of the vote or at least 40% of the vote with an additional ten points of advantage over the candidate in second place for the presidential election, a run-off election between President Moreno and Mr. Lasso was held on April 2, 2017. President Moreno was elected president with 51.15% of the vote. The *Consejo Nacional Electoral* (the "National Electoral Council" or "CNE") declared President Moreno as president elect on April 4, 2017. 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. On April 13, 2017, CNE approved the recount of approximately 11.2% of the total ballots cast in the run-off election due to a claim of alleged inconsistencies by CREO-SUMA and Alianza PAIS. On April 18, CNE broadcast a live recount of the ballots subject to the claim. International observers, political delegates of Alianza PAIS and representatives of social organizations monitored the recount. The recount ratified President Moreno as the winner of the run-off election with 51.16% of the votes. 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 May 23, 2017, President Moreno announced the members of his cabinet, composed of 23 ministers, 12 secretaries and 8 other authorities. President Moreno named Carlos Alberto de la Torre Muñoz as the Minister of Finance and Pablo José Campana Saénz as the Minister of Foreign Trade. President Moreno's cabinet includes former ministers under former President Correa's cabinet such as the Minister of Education, the Minister of Health and the Minister of the Interior. On May 24, 2017, President Moreno merged the *Ministerio de Coordinación y Politica Economica* (the "Ministry of Coordination and Economic Politics") and the *Ministerio de Finanzas* (the "Finance Ministry") which became the Ministerio de Economía y Finanzas (the "Ministry of Economy and Finance"). President Moreno abolished the following coordinating ministries by executive decree: the *Secretaría del Buen Vivir* (the "Secretariat for the National Development"), the *Secretaría Nacional de la Administración* ("the National Secretariat of Administration"), the *Ministerio de Agricultura, Ganadería, Acuacultura y Pesca* (the "Ministry of Agriculture, Livestock, Aquaculture and Fishing"), the *Ministerio de Coordinación de la Producción,* Empleo y Competividad (the "Ministry for the Coordination of Production, Employment and Competition"), the *Ministerio de Sectores Estratégicos* ("the Ministry of Strategic Sectors"), the *Ministerio de Seguridad* (the "Ministry of Security") and the *Ministerio del Conocimiento y Talento Humano* (the "Ministry of Knowledge and Human Talent"). President Moreno created the Ministry of Aquaculture as well as the *Secretaría Técnica del Programa de Toda una Vida* (the "Technical Secretariat for Affordable Housing, Development and Youth Employment").

During his inaugural address, President Moreno announced plans to maintain a dollarized economy, sign an executive decree to establish an austerity plan and create a Production & Taxation Advisory Council to establish a dialogue between the public and private sectors.

In addition, based on his party's platform, President Moreno set forth the following plans for his administration intended to be formalized during the next 90 days of his presidency through a development plan:

- creating the *Consejo Consultivo para la Transparencia* (the "Advisory Council for Transparency"), an anti-corruption organism dedicated to prevention, detection, sanction and remedy mechanisms to combat corruption within the framework of the UN Convention against Corruption;

- creating 40 universities with a technical and technological focus;

- increasing access to scholarships for low-income students at private universities receiving government aid;

- providing a grant to students in extreme poverty who graduate from high school to utilize in entrepreneurial endeavors;

- incentivizing rural agricultural investment;

- using the annual income estimated from tax returns towards creating new jobs for youths as well as towards economic and cash incentives to finance youth entrepreneurship; and

- incentivizing home ownership through giving access to affordable, long term credit with the *Banco del Instituto Ecuatoriano de Seguridad Social* (the Social Security Institute Bank of Ecuador or "BIESS"), and public and private banks.

On April 16, 2016, a 7.8 magnitude earthquake struck the northern coast of Ecuador, (the "Pedernales Earthquake"). The Pedernales Earthquake and its aftershocks caused severe damage to Ecuador's infrastructure in that region, including its roads and ports. An evaluation conducted by *Secretaría Nacional de Planificación y Desarrollo* (the "National Secretary of Planning and Development" or "SENPLADES"), *Instituto Nacional de Estadística y Censos ("National Institute of Statistics"* or "INEC") and various government ministries estimates that the cost of reconstructing the infrastructure damaged by the Pedernales Earthquake is approximately U.S.$3.3 billion (approximately 2-3% of Ecuador's GDP), and 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 gross domestic product (the "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 damage caused by the earthquake is concentrated. In response to the earthquake, President Correa empowered the Ministry of 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 by 2% (from 12% to 14%) for one year from June 1, 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). It is expected that on May 31, 2017, such rate will return 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 contribution of a day's salary for one month for those earning more than U.S.$1,000 a month; a one-time contribution of a day's salary for two months for those earning more than U.S.$2,000 a month; and similarly until a limit of a one-time contribution of one day's salary for five months for those earning more than U.S.$5,000 a month.

Existing contingent credit lines include a U.S.$150 million credit line with the World Bank, a U.S.$240 million credit line with Inter-American Development Bank ("IDB"), and a U.S.$100 million with *Corporación Andina de Fomento* (the "CAF"), and would explore the possibility of selling certain assets of the Republic, including the Sopladora 487 MW hydroelectric plant, Banco del Pacífico S.A., the *Corporación Nacional de Telecomunicaciones*, and other state owned utilities. Additionally, on July 8, 2016, the International Monetary Fund (the "IMF") approved a U.S.$364 million disbursement for the Republic under the IMF rapid financing instrument. On July 8, 2016, the Executive Board of the IMF concluded its annual Article IV consultation with Ecuador. The financial support was granted to the Republic in order to make up for financial shortfalls and finance reconstructions resulting from the Pedernales Earthquake. The IMF announced the financial support on July 8, 2016 by a press release, which is available on the IMF website. The IMF disbursed the U.S.$364 million loan in a single, upfront disbursement with no conditionality. Ecuador received the funds under the IMF rapid financing instrument. The increase in international reserves during the period from April 30, 2016 to April 30, 2017 was primarily due to loan disbursements, including under the IMF financing instrument. On July 8, 2016, the Executive Board of the IMF concluded its annual Article IV consultation with Ecuador.

To date, four sources of financing are being 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 and national and international donations. 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.

In 2006, Chevron brought arbitration proceedings against the Republic under the arbitration rules of the United Nations Commission on International Trade Law (the "UNCITRAL") alleging the Republic's breach of certain "denial of justice" provisions under the U.S.-Ecuador Bilateral Investment Treaty. In August 2011, the arbitral tribunal established that Ecuador had breached that treaty and should pay Chevron U.S.$96 million plus compound interest calculated from September 1, 2011 until the date of payment. The District Court of the District of Columbia (Washington, DC) confirmed the award in favor of Chevron, and the United States Court of Appeals for the District of Columbia Circuit affirmed the District Court's decision. Accordingly, the arbitral award granted to Chevron was 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.

The Ecuadorian Economy

The U.S. dollar is the legal tender in Ecuador. In each of the four years from 2012 through 2015 the Ecuadorian economy registered positive rates of growth, in real terms, while in 2016, the Ecuadorian economy contracted in real terms as described below. In 2015 the economy of Ecuador grew by 0.2% in real terms, compared to 7.9%, 5.6%, 4.9% and 4.0% for 2011, 2012, 2013, and 2014, respectively. 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. On April 10, 2017, the Central Bank published information regarding GDP for 2016. Real GDP for 2016 was U.S.$69,321 million, compared to U.S.$70,354 million in 2015, representing a decrease of 1.5% in real terms. This decrease is mainly due to the decline in the price of oil, a stronger dollar and the impact of the Pedernales earthquake. From 2011 to 2016, the average real GDP growth of Ecuador was 3.5% compared to the 1.6% average real GDP growth of other Latin American and Caribbean countries. From 2012 to 2015, the Ecuadorian economy grew from a nominal GDP of U.S.$87,925 million in 2012 to U.S.$100,177 million in 2015. In 2016, the nominal GDP reached U.S.$97,802 million representing a decrease from the U.S.$100,177 million in 2015. For 2017, the Central Bank estimates a nominal GDP of U.S.$100,599 million. From 2012 to 2015, nominal GDP per capita grew from U.S$5,665 in 2012 to U.S.$6,154 in 2015. In 2016, nominal GDP per capita decreased to U.S.$5,917.

Inflation for the 12-month period ending in December 31, 2016 decreased to 1.1% from 3.4% for the 12-month period ending December 31, 2015. This decrease is 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. Inflation decreased from 1.8% for the 12-month period ended April 30, 2016 to 1.1% for the 12-month period ended April 30, 2017 due to a decrease in price of certain products including sound and image recording equipment, garments for women, footwear for men, fruits, motor vehicles and frozen or refrigerated fresh poultry, as a result of a stronger dollar and the application of certain additional tariffs.

The rate of unemployment decreased from 4.2% in 2011 to 3.8% in 2014 due to increased job creation in the services and commerce industries. 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. The rate of unemployment increased to 5.20% as of December 31, 2016 because of an increase in the labor force participation rate as previously economic inactive members of society joined the labor force. The rate of unemployment decreased from 5.7% as of March 31, 2016 to 4.4% as of March 31, 2017.

In 2016, manufacturing was the largest sector of the economy measured by percentage of GDP (13.93%), followed by trade (10.15%), construction (9.64%), community services (8.94%) and agriculture (8.62%). In 2015, manufacturing, construction, trade, community services and agriculture were the largest sectors of the economy measured by percentage of GDP, respectively accounting for 13.79%, 10.70%, 10.48%, 8.66% and 8.44% of GDP.

According to the Central Bank's monthly bulletin for April 2017, 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 198,230 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 the Ishpingo-Tambococha-Tiputini (the "ITT") field in Yasuni National Park, which began extraction in September 2016.

Crude oil exports as measured in U.S. dollars steadily increased from 2011 to 2013. Ecuador's crude oil exports totaled U.S.$13,016 million in 2014, a 3.0% decrease from U.S.$13,412 million in 2013. Crude oil exports in 2015 totaled U.S.$6,355 million, a 51.2% decrease from U.S.$13,016 million in 2014. Both decreases were due to the decline in the price of oil beginning in late 2014 and continuing through 2015. 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 petroleum per barrel from U.S.$45 in 2015 to U.S.$34 in 2016. The Esmeraldas refinery underwent a period of preventative maintenance up until 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 once more.

The Government of the Republic considers 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 administers all infrastructure projects carried out by the *Ministerio Coordinador de Sectores Estratégicos* (the "Ministry of Coordination of Strategic Sectors" or "*MICSE*") ("Ecuador Estratégico"), and other areas of investments including those made by *Ministerio de Ambiente* (the "Environment Ministry") and the Public Enterprise Administrator of the Special Economic Development Zone Eloy Alfaro ZEDE.

The Government has targeted the electricity sector for significant capital investment. In 2016, the Government invested U.S.$1,348 million in the electricity sector, a 17.4%% increase from 2012, when the Government invested U.S.$1,148 million in the sector. As of 2014, hydroelectric plants supplied approximately 46% of the power in Ecuador. As of 2015, hydroelectric plants supplied 56% of the power in Ecuador. By year-end 2016, hydroelectric plants generated 66% of the power in Ecuador. Ecuador's objective in developing hydroelectric power is to reduce its consumption of oil through oil-based generators, thereby decreasing oil imports and electric energy imports and improving energy independence.

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 *Unidad de Análisis Financiero y Económico* (the "Financial and Economic Analysis Unit"), the Government entity responsible for compiling information and producing reports relating to money laundering.

On August 22, 2016, President Correa signed a decree effectuating the merger of Ecuador's Public TV and Radio Company ("E.P. RTVEcuador") with the state owned newspaper, El Telégrafo, to form the *Empresa Pública de Medios Públicos de Comunicación del Ecuador–Medios Públicos EP* ("Public Media and Communications Company of Ecuador"). This consolidation decree was issued for the purpose of eliminating duplicative functions of media entities.

On August 24, 2016, the Central Bank of Ecuador and the Central Bank of Iran (Bank Markazi Jomhouri Islami 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 October 12, 2016, the *Ley Orgánica de Incentivos Tributarios para Varios Sectores Productivos e Interpretativa del Artículo 547 del Código Orgánico de Organización Territorial, Autonomía y Descentralización* (the "Law on Tax Incentives") was published and became effective. The Law on Tax Incentives is intended to encourage productivity by extending tax incentives to additional sectors of the economy. The law establishes income tax deductions for micro, small and medium sized businesses that provide private health insurance to their employees and income tax deductions for public and commercial transport operators equal to the value of the vehicles owned by such operators.

On October 17, 2016, the *Ley Orgánica que Regula a las Compañías que Financien Servicios de Atención* Integral *de Salud Prepagada y a las de Seguros que Oferten Cobertura de Seguros de Asistencia Médica* (the "Law to Regulate Companies that Finance Pre-paid Health Services and Health Insurance Companies") was published and became effective. The law is intended to regulate health service companies and health insurance companies and to provide clear legal requisites for the establishment and operation of those entities.

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 December 13, 2016, the *Ley Orgánica para Evitar la Especulación sobre el Valor de las Tierras y Fijación de Tributos* (the "Law to Eliminate Speculation and Tax Fixing") was published and became effective. This law is intended to create a more equal distribution of wealth and resources in Ecuador. This law imposes a tax of 75% on capital gains obtained from the sale of real estate in excess of an amount equal to 24 basic unified wages, or U.S.$9,000 as of the time the minimum wage for the year 2017 went into effect. The Law to Eliminate Speculation and Tax Fixing also imposes more stringent property record keeping obligations on the Autonomous Centralized Governments.

On December 20, 2016, *the Ley Orgánica Reformatoria a la Ley Orgánica de Servicio Público y al Código de Trabajo* ("Law to Reform the Organic Law of Public Service and Labor Code") was published and became effective. Under this law, a public servant who ceases to work for a public institution receives full remuneration up until the last day worked on the last month of work without receiving payment for the remaining days not worked on that month. The aim is to not overcompensate those employees partially working during a month as opposed to those who work the full month.

On April 12, 2017 the *Código Orgánico del Ambiente* (the "Organic Code for the Environment") was published. The Organic Code for the Environment will become effective on April 12, 2018, and will regulate activities that generate impact and damage to 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: an emphasis for sustainable development, clean technology, alternative energies, and additions to production costs of all necessary 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.

On April 18, 2017, the *Ley* para la *Restructuración 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 Banco Nacional de Fomento ("BNF") so long as the debtors make payment of at least 5% of the principal owed to BNF.

On May 5, 2017, the *Ley Orgánica del Sistema Nacional de Infraestructura Vial del Transporte Terrestre* (the "Organic Law for the National System of Road Infrastructure for Ground Transportation") was published and became effective. The law establishes a regime for the design, planning, execution, construction, maintenance, regulation and control of infrastructure for ground transportation and its complementary services. The law classifies roads by type to facilitate the approval of projects for the construction of road infrastructure, requires these projects to include studies of environmental and social impact as well as of security of the road, and allocates responsibility to the central government and the Autonomous Decentralized Governments to maintain the infrastructure of ground transportation.

Balance of Payments and Foreign Trade

Between 2012 and 2016, Ecuador experienced fluctuations between balance of payment deficits and surpluses. While there were surpluses in 2013 and 2016, there were deficits in 2012, 2014 and 2015. An increase in Government investment contributed to a deficit of U.S.$581.9 million in 2012. In 2013, an improvement in the financial account that was the result of an increase in bilateral debt and corresponding loan disbursements contributed to a balance of payments surplus of U.S.$1,845.9 million. However, the current account deficit of U.S.$923.3 million registered in 2013 represents a decrease compared to the U.S.$165.7 million current account deficit registered in 2012. This deficit is the result of an increase in imports, particularly with respect to imported capital goods and raw materials.

In 2014, Ecuador experienced a balance of payment deficit of U.S.$424.5 million as a result of a decrease in the capital and financial account, which decreased from U.S.$2,914.5 million in 2013 to U.S.$323.8 million in 2014 as a result of a decrease in investment for the year. However, the current account improved from a deficit of U.S.$923.3 million in 2013 to a deficit of U.S.$522.9 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 2014. This improvement resulted from 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.$522.9 million in 2014 to a deficit of U.S.$2,114.0 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, which resulted mainly from a decline in the price of oil. In 2016, there was a balance of payment 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 payment surplus was due to an increase in the current account. The current account increased from a deficit of U.S.$2,114.0 million in 2015 to a surplus of U.S.$1,418.6 million in 2016. The surplus in the current account was mainly due to an improvement in the trade balance from a deficit of U.S.$1,649.8 million to a surplus of U.S.$1,569.9 million, which was due to a decrease in imports particularly with respect to imported fuel and lubricants as well as capital goods.

In Ecuador, total direct foreign investment reached U.S.$567.5 million, U.S.$727.1 million, and U.S.$772.3 million, in 2012, 2013 and 2014, respectively. Direct foreign investment in 2015 reached U.S.$1,322.0 million, the largest amount from 2012 to 2015. This increase was due to continuing investment in Ecuador’s infrastructure, in particular, its electricity and water sectors. In 2016, direct foreign investment reached U.S.$744.0 million, a decrease compared to the U.S.$1,322.0 million in 2015. This decrease was principally due to a decrease in investment in the manufacturing and in the services rendered to businesses sectors. In 2016, the petroleum sector represented the largest percentage of direct foreign investment with 64.4% of all investment. Commerce and transportation, storage and telecommunications followed representing 14.3% and 5.10% of direct foreign investment, respectively.

In 2015, overall exports decreased 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%), though there were also decreases in shrimp exports (9.3%) and exports of tuna and other fish (17.8%). 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%). For the period of January through March 2017, overall exports increased to U.S.$4,721 million, an increase of 30% compared to the same period for 2016. This increase was primarily due to an increase in crude oil exports (84%), as well as an increase in bananas and plantains exports (19%) and an increase in shrimp exports (25%).

Although the levels of imports increased from 2012 to 2014, the rate of increase declined over that period due to the Republic's promotion of domestic production. In 2012, the rate of increase of imports was 4.3%, which increased slightly to 6.1% in 2013 and declined to 2.6% in 2014. In 2015, imports totaled U.S.$21,518 million, compared to U.S.$27,726 million for 2014 registering the first decrease in the levels of imports in the past 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 totaled U.S.$16,324 million, as compared to the U.S.$21,518 million in 2015, reflecting a 24.1% decrease principally due to a decrease in the price of crude oil and a decrease in imports of fuel and lubricants.

Monetary System

The Government of President Correa prioritized the stabilization of the monetary system and promoted the safety of the financial system. As of April 30, 2017, the Ecuadorian banking system had a total of 23 banking institutions, of which one was a foreign-owned bank and one was a state-owned bank.

Banking deposits, primarily composed of demand deposits and time deposits, constitute the principal source of financing for the banking system. From December 31, 2011 through December 31, 2014, total time and demand deposits increased 44.8%, from U.S.$18,557.9 million to U.S.$26,874.5 million. As of December 31, 2015, time and demand deposits totaled U.S.$23,291.1 million, a decrease of 13.3% compared to December 31, 2014. This decrease is due to a decrease in the availability of credit for the year. As of December 31, 2016, time and demand deposits totaled U.S.$27,475 million, an increase of 18.0% since December 31, 2015. This increase is due to a significant growth in demand deposits. As of April 30, 2017, total time and demand deposits increased to U.S.$27,524 million, an increase of 13% compared to April 30, 2016. This increase was due to a significant growth in demand deposits, which increased 18.9% from April 30, 2016.

Total assets of the banking system increased from U.S.$23.9 billion in 2011 to U.S.$33.6 billion in 2014. As of December 31, 2015, total assets for the banking system totaled U.S.$30.9 billion, a decrease of 8% since December 31, 2014. This decrease in total assets is due to the decrease in time and demand deposits in 2015. As of December 31, 2016, total assets for the banking system totaled U.S.$35.6 billion, an increase of 15.3% since December 31, 2015. This increase in total assets is due to an increase in available funds of U.S.$2.2 billion in 2016. Total assets of the banking system increased from U.S.$31.9 billion as of April 30, 2016 to U.S.$35.7 billion as of April 30, 2017, an increase of 11.8%. This increase was principally due an increase in the loan portfolio of U.S.$2.4 billion and an increase in cash of U.S.$1.0 billion.

With respect to the various sectors, most loan interest rates remained stable during the period from 2012 through 2016 with the corporate productive lending interest rate increasing slightly to 8.2%, and consumer lending rates remaining at approximately 15.9% from 2012 to 2013, increasing slightly to 16.0% in 2014. 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 16.8% in 2016, and the priority consumer lending interest rate increased from 16.0% in 2015 to 16.7% in 2016.

In 2015, the Committee of Monetary and Financial Policy Regulation established new categories of credits in the financial sector and fixed the maximum interest rates for these categories. Following this change in categorization, in 2015 the key corporate lending interest rates increased above the corporate lending interest rate in 2014, from 9.1% to 9.2%. In 2015, the priority consumer lending interest rate remained in line with the general consumer lending interest rate available in 2014 at 16.0%, and the ordinary consumer lending interest rate increased above this rate to 16.2%. For more information regarding changes to categories of interest rates, see "Monetary System—Interest Rates and Money Supply."

Average loan interest rates on short-term and long-term loans decreased slightly from 8.2% in 2012 to 8.1% in 2016 due to certain banks reducing interest rates on consumer loans as a result of excess liquidity. During the same period, the average interest rates on deposits increased from 4.5% in 2012 to 5.1% in 2016 because banks increased interest rates offered to the public in order to satisfy liquidity needs.

From 2011 to 2015, the banking system's delinquency rate varied and past-due loans represented 2.2%, 2.8%, 2.6%, 2.9%, and 3.7% of the total loan portfolio, respectively. The delinquency rate increased to 2.8% in 2012 as a result of an increase in consumer past-due loans which increased from U.S.$175 million in 2011 to U.S.$293 million in 2012. However, the rate decreased to 2.6% in 2013 due to a reduction in past-due loans of the commercial sector, which decreased to U.S.$284 million. In 2014, the delinquency rate increased to 2.9%, 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. As of April 30, 2017, the delinquency rate decreased to 3.6% compared to the 4.7% delinquency rate as of April 30, 2016. This decrease is principally due to a decrease of 11.9% in past-due loans while the total loan portfolio increased by 13.5% as a result of an increase in the income of borrowers which decreased payment delays.

In September 2014, the National Assembly enacted the *Codigo 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 *Junta de Política y Regulación Monetaria y Financiera* (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 Finance, *Ministerio de Industrias y Productividad* (the "Ministry of Production and Industrialization"), *Ministerio Coordinador de Política Economica* (the "Ministry of Economic Policy"), office of the National Secretary of Planning and Development, 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 *Superintendencia de Bancos* (the "Superintendent of Banks") regarding their budget, purpose, and 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 Seguro de Depósitos* (the "Deposit Insurance Corporation" or "COSEDE") and the *Fondo de Liquidez del Sistema Financiero Ecuatoriano* (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 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 operations. According to the Central Bank, as of May 2016, approximately U.S.$1 million was in circulation in Ecuador in electronic currency. The law further establishes 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 issued various laws, 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 April 29, 2016, the *Ley Orgánica para el Equilibrio de las Finanzas Públicas* ("Law to Balance Public Finances") was published with the purpose of strengthening dollarization, correcting abuses in tax benefits and redistributions and generating a change in Ecuadorian eating habits. According to a March 19, 2016 announcement by 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 or 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.

On November 24, 2016, the *Junta de Política y Regulación Monetaria y Financiera* (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. This resolution is expected to reduce the liquidity of these financial institutions' Central Bank deposits by approximately U.S.$750 million.

Public Sector Finances

The increase in the year to year deficit from 2012 to 2015 was due to increased Central Government spending during each such year, particularly in wages and salaries and interest payments in connection with debt obligations, and in 2015 was also due to the decline in oil prices. The increase in the year to year deficit from 2015 to 2016 was due to a stronger dollar which affected exports, the Pedernales earthquake and the decline in oil prices.

During the five-year period from 2012 through 2016, the Central Government budget deficit as a percentage of GDP increased from 2.0% in 2012 to 5.7% in 2016. During the same five-year period, the budget deficit for the non-financial public sector increased from 0.9% in 2012 to 7.5% in 2016. The increases in the deficit from 2012 to 2013 were due to increased infrastructure spending. The increases in the deficit in 2014 and 2015 were due to an increase in wages and salaries and lower petroleum revenues for both years. However, the decreases in the deficit from 2014 to 2015 were the result of budget adjustments undertaken by Ecuador's Ministry of Finance (outlined below).

In 2016, total revenues of the Central Government were U.S.$18,556 million, while total expenditures were U.S.$24,103 million. This results in a deficit of U.S.$5,448 million in 2016, an increase compared to the deficit of U.S.$3,805 million in 2015. This increase in the deficit is primarily due to decreases in petroleum revenue, non-petroleum revenue as well as in revenue from certain taxes.

In 2016, the non-financial public sector registered a deficit of U.S.$7,314 million compared to a deficit U.S.$5,091 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.$33,586 million in 2015. In 2016, total expenditures for the non-financial public sector totaled U.S.$37,628 million (equivalent to 38.5 % of GDP), a decrease compared to U.S.$38,676 million (equivalent to 38.6% of GDP) in 2015.

On October 31, 2015, the executive branch presented the 2016 draft budget to the National Assembly which proposed a budget of U.S.$29.8 billion for the year, a 17.9% decrease from the U.S.$36.3 billion originally proposed for the 2015 budget and a 12.4% decrease from the U.S.$34.1 billion adjusted budget for 2015. It assumed an average crude oil price of U.S.$35.00 per barrel, which represented a 56% decrease from the U.S.$79.70 per barrel average price that was assumed for the original 2015 budget. The 2016 draft budget also estimated that there would be a budget deficit equivalent to 2.4% of GDP and a GDP growth of 1%. Excluding financing, the initial 2016 draft budget provided for U.S.$25.7 billion in expenses, comprised of U.S.$8.8 billion in salaries and wages, U.S.$4.7 billion in consumer goods and services, U.S.$3.4 billion in capital transfers and donations, U.S.$4.4 billion in other investment expenses and U.S.$4.5 billion in other expenses. Total revenues under the 2016 draft budget were U.S.$23.2 billion, including U.S.$17.3 billion in taxes, rates and contributions, U.S.$4.8 billion in current transfers and donations and U.S.$1.2 billion in other revenues. The 2016 draft budget, as presented, was approved by the National Assembly on November 24, 2015 and became effective on January 1, 2016 (the "2016 Budget").

From time to time, the Ministry of Finance revises and adjusts the sources and uses of funds initially provided for in the draft budget. On March 3, 2016, the Minister of Finance announced that the 2016 Budget would be adjusted by approximately U.S.$800 million. The Minister specified that approximately U.S.$400 million would be reduced from investment and current expenses and that there would also be reductions to the budgets of the Autonomous Decentralized Governments. The Ministry of Finance made reductions in its estimates of revenue forecasts for non-petroleum revenue by U.S.$780 million, income tax by U.S.$507 million, value added tax by U.S.$818 million, and the Currency Outflow Tax by U.S.$209 million as compared to the original 2016 Budget revenue forecasts. In addition, while making reductions to permanent expenses by U.S.$203 million and wages and salaries by U.S.$284 million, the Ministry of Finance increased its projected expenses for the provision of goods and services by U.S.$137 million and other non-permanent costs by U.S.$965 million, both as compared to the original 2016 Budget revenue forecasts.

For 2017, the Ministry of Finance's estimated projection for financing needs (both internal debt and external debt) is U.S.$12.56 billion. The Ministry of Finance estimates that approximately U.S.$6.43 billion will derive from international financing and approximately U.S.$6.13 billion from domestic financing. With respect to international financing, the Ministry of Finance expects that such financing may come from various sources, including drawdowns under existing loan facilities, new bilateral and multilateral lending facilities, bond issuances and other methods of providing liquidity that the Republic has previously utilized, such as oil sector related transactions, among others. With respect to domestic financing, the Ministry of Finance expects that such financing may derive from rollovers of existing debt, new placements by the Ministry of Finance and the Central Bank, certain projects and domestic operations. While the Ministry of Finance has expectations as to the approximate amounts to be derived from the various sources, such allocation is subject to market conditions as well as the policies of the new administration and such amounts and the use of the financing sources set forth in this paragraph is subject to change.

Pursuant to Article 295 of the 2008 Constitution, during a presidential election year, the national budget is to be presented for National Assembly approval within the first 90 days of the term of the next president. Accordingly, the 2017 budget ("2017 Budget") will be presented for National Assembly approval within the first 90 days of the term of President Moreno, which began on May 24, 2017. In the interim period, Article 107 of the *Código Orgánico de Planificación y Finanzas Públicas* (the "Public Planning and Finance Code") provides that the total amount of the budget for the preceding year, which in this case is the 2016 Budget, as initially approved by the National Assembly, will be used as the provisional budget for 2017 until the 2017 Budget is approved. Article 118 of the Public Planning and Finance Code grants the Ministry of Finance the authority to modify any approved budget in an amount up to 15% of any approved allocation. The Ministry of Finance has the authority to modify the 2016 Budget while it is being used as the provisional budget for 2017 and until the 2017 Budget is approved. Although the initial 2016 aggregate budget allocation of U.S.$29.8 billion remains while the 2016 Budget operates as the provisional budget for 2017, there have been modifications to the budget allocation for each sector.. The most important differences are in an increase to the budgeted amounts for the communications, social welfare and urban and housing development sectors and in a decrease to the budgeted amount for the single Central Bank master account for the management of Ecuador's resources (the "*Cuenta Única del Tesoro*" or "Treasury Account") as well as in decreases to the budgeted amounts for the natural resources and agricultural sectors.

Public Debt

Total public external debt increased from U.S.$10.06 billion in 2011, which represented 12.7% of GDP, to U.S.$20.23 billion in 2015, which represented 20.2% of GDP. This increase in debt was primarily due to increased debt from bilateral lenders. Total public external debt was U.S.$25.68 billion as of December 31, 2016, compared to U.S.$20.23 billion as of December 31, 2015. Total public external debt as of April 30, 2017 was U.S.$26,908.2 million, an increase from U.S.$21,263.9 million as of April 30, 2016 due primarily to disbursements of loans from the China Development Bank, the issuance of the 2022 and 2026 bonds and the Republic's guarantee of the issuance of the Petroamazonas 2019 Notes and the Petroamazonas 2020 Notes.

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.$27,886 million as of April 30, 2017, U.S.$22,623 million as of April 30, 2016, U.S$21,273 million as of December 31, 2015, compared to U.S.$18,679 million as of December 31, 2014, U.S.$13,957 million as of December 31, 2013, and U.S.$11,526 million as of December 31, 2012.

As of December 31, 2014, the top three bilateral lenders to Ecuador were China, Brazil and Spain, with debt levels of U.S.$5,074.4 million (63.7% of the total bilateral debt), U.S.$302.8 million (3.8% of the total bilateral debt) and U.S.$158.1 million (1.9% of the total bilateral debt) respectively. As of December 31, 2015, the top three bilateral lenders to Ecuador continued to be China, Brazil and Spain, with debt levels of U.S.$5,295.4 million (85.4% of the total bilateral debt), U.S.$295.5 million (4.5% of the total bilateral debt) and U.S.$140.6 million (2.2% of the total bilateral debt) respectively. 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 (89.5% of the total bilateral debt), U.S.$227.7 million (2.92% of the total bilateral debt) and U.S.$133.4 million (1.71% of the total bilateral debt), respectively.

As of April 30, 2017, the top three bilateral lenders to Ecuador were China, Brazil, and Spain, with debt levels of U.S.$ 6,871.2 million (88.7 % of the total bilateral debt), U.S.$ 220.3 million (2.8 % of the total bilateral debt) and U.S.$ 167.9 million (2.2 % of the total bilateral debt), respectively.

As of April 30, 2016, the top three bilateral lenders to Ecuador were China, Brazil and Spain, with debt levels of U.S.$ 5,295.6 million (85.7% of the total bilateral debt), U.S.$ 295.5 million (4.8 % of the total bilateral debt) and U.S.$ 135.8 million (2.2 % of the total bilateral debt) respectively.

In 2008, Ecuador defaulted on its interest payments for the 2012 and 2030 Bonds (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. In 2009 the Republic launched cash tender offers to the holders of the 2012 and 2030 Bonds and from 2009 through the date of this Offering Circular has repurchased additional 2012 and 2030 Bonds. As of the date hereof, the total aggregate amount of outstanding principal on the 2012 and 2030 Bonds is U.S.$52.1 million, which represents 1.6% of the original aggregate principal amount of the 2012 and 2030 Bonds.

In December 2005, the Republic successfully launched an issuance of the 2015 Bonds (the "2015 Bonds"). The use of the proceeds of the 2015 Bonds was to buy back certain of the 2012 Bonds in accordance with their terms. The Republic successfully repaid all principal and interest on the 2015 Bonds on December 15, 2015.

On June 17, 2014, the Republic successfully issued U.S.$2.0 billion of Bonds due June 2024 (the "2024 Bonds") with a coupon of 7.95% at 100% of the purchase price. The most recent interest payment on the 2024 Bonds, which was due on June 20, 2016, was paid by the Republic in accordance with the relevant indenture. The Republic is current on its financial obligations under the 2024 Bonds and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2024 Bonds to finance its various hydroelectric projects and other infrastructure projects contemplated in the National Development Plan.

On March 24, 2015, the Republic successfully issued U.S.$750 million of Bonds due March 2020 with a coupon of 10.50% (the "Original 2020 Issuance") at 100% of the purchase price. The Republic re-opened the Original 2020 Issuance on May 19, 2015 and successfully issued an additional U.S.$750 million of Bonds at a price of 107.789%, also due 2020 (together with the Original 2020 Issuance, the "2020 Bonds"). The most recent interest payment on the 2020 Bonds, which was due on September 24, 2016, was paid by the Republic in accordance with the relevant indenture. The Republic is current on its financial obligations under the 2020 Bonds and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2020 Bonds to finance its various hydroelectric projects and other infrastructure projects contemplated in the National Development Plan.

On July 28, 2016, the Republic successfully issued U.S.$1.0 billion of Bonds due 2022 with a coupon of 10.75% (the "Original 2022 Issuance") at 100% of the purchase price. The Republic reopened the Original 2022 Issuance on September 30, 2016 and successfully issued an additional U.S.$1.0 billion of Bonds at a price of 100%, also due 2022 (together with the Original 2022 Issuance, the "2022 Bonds"). The Republic is current on its financial obligations under the 2022 Bonds and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2022 Bonds to finance its various hydroelectric projects and other infrastructure projects contemplated in the National Development Plan.

On December 13, 2016, the Republic successfully issued U.S.$750 million of Bonds due 2026 with a coupon of 9.650% (the "Original 2026 Issuance") at a 100% purchase price. The Republic reopened the Original 2026 Issuance on January 13, 2017 and successfully issued an additional U.S.$.1.0 billion of Bonds at a price of 103.364% also due 2026 (together with the Original 2026 issuance, the "2026 Bonds"). The Republic is current on its financial obligations under the 2026 Bonds and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2026 bonds to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and to (3) refinance an existing external debt obligation on more favorable terms.

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% (the "Petroamazonas 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 "Petroamazonas 2020 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 Petroamazonas 2020 Notes sold the Petroamazonas 2020 Notes to subsequent purchasers in the international capital markets.

Ecuador's other significant external debt transactions in 2015 included a January 7, 2015 memorandum of understanding with China Development Bank in connection with a loan of up to U.S.$1.5 billion. The proceeds of the loan were used for eligible infrastructure and development projects in Ecuador. On the same date, Ecuador entered into a framework agreement for future cooperation with China Exim Bank. This agreement allows the Ministry of Finance to regularly submit priority lists of projects which it proposes to be financed by China Exim Bank, 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.

Additionally, on February 26, 2015, Ecuador entered into a Foreign Purchase Credit Agreement with Deutsche Bank Sociedad Anónima Española. The loan 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 in 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, *Empresa Pública de Hidrocarburos del Ecuador* ("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, China Exim Bank, and China Minsheng Banking Corp., Ltd. The first tranche of U.S.$820 million was disbursed in February 2016. The facility relates to a multiparty contractual structure involving a crude oil delivery contract entered into with PetroChina International Company Limited, ("Petrochina"). The credit has a term of five years.

In February 2016, the Republic entered into a U.S.$198 million preferential buyer credit loan agreement with China Exim Bank to finance the first phase of Yachay (See "The Ecuadorian Economy—Other Sectors of the Economy—Science and Technology"). The loan agreement has a 3% interest rate and a term of 20 years.

On April 29, 2016, Ecuador entered into an eight year loan agreement with China Development Bank for U.S.$2 billion. The agreement relates to a multiparty contractual structure involving a crude oil delivery contract entered into with PetroChina.

On July 15, 2016, Ecuador's Ministry of 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, the *Instituto Ecuatoriano de Seguridad Social* (the Ecuadorian Social Security Institute or "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 Finance, as guarantor. The loans will be repaid over a term of seven years and will be used to finance the construction and outfitting of hospitals in the city of Guayaquil and the city of 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 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. The Republic intends to use the proceeds of the loan towards reconstruction efforts in the areas that were affected by the Pedernales Earthquake.

On November 17, 2016, the Republic, acting through its Ministry of Finance, entered into a 20 year, U.S.$102.6 million loan facility with China Exim Bank to be used to finance the survey, design and construction of the Santa Ana Aqueduct Hydraulic Stage One Project.

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 IDB to finance costs related to its emergency response program for reconstruction efforts in the areas that were affected by the Pedernales Earthquake.

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 will receive initial prepayments of $600 million shortly after signing for crude oil to be delivered to PTT International 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 will receive an initial prepayment of U.S.$300 million shortly after signing for fuel oil to be delivered to OTI during the 30-month term of the contract. 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.

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 24 years and is guaranteed by Ecuador acting through the Minister of Finance.

On December 22, 2016, Ecuador, acting through its Ministry of 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 20 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 IEES entered into a U.S.$25 million credit agreement with Consorcio NHQ with 50% of the total amount due 30 days from the date of execution of the agreement and the remaining 50% of the total amount due 24 months from the date of execution of the agreement.

On February 21, 2017, Ecuador entered into a U.S.$50 million loan with the Japan Bank for International Cooperation ("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.

On April 1, 2017, Ecuador entered into a U.S.$75 million loan with the French Development Agency ("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 7 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 Pichincha province.

On July 15, 2008, Petroecuador and *Petróleos de Venezuela Ecuador, S.A.* ("PDVSA Ecuador") formed a new entity called *Refinería del Pacífico* (the "RDP") in which Petroecuador is currently the majority shareholder (51%) and PDVSA Ecuador is the minority shareholder (49%). RDP will develop a refinery project with the same name to be built in the municipality of Manta, Manabí Province, with a total nameplate capacity of 300,000 bpd. The land rights and environmental licenses necessary to develop RDP have already been obtained, and a preliminary detailed feasibility study of the project is complete. The total estimated investment for RDP is approximately U.S.$15 billion. Negotiations are ongoing to provide financing for the project. In the event RDP is able to obtain financing through debt for this project, it is not clear whether it would be able to do so while remaining within the 40% public debt to GDP limit as further described in "Public Sector Finances—Fiscal Policy." Construction has commenced and the project is scheduled to be completed by year-end 2021.

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 ("Decree 1218"), which modifies Article 135 of the Public Planning and Finance Code. Decree 1218 changes the methodology that the Ministry of Finance uses 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 has been exceeded. Under Decree 1218, the Ministry of Finance will now use the Total Consolidated Public Debt methodology set out in the Manual of Public Finance Statistics of the IMF (the "IMF GFS"). 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. In contrast, the aggregation methodology, which the Ministry of 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 eliminates certain types of debt from the calculation and, by extension, reduces the amount of total public debt taken into account for purposes of the 40% total public debt to GDP ceiling. 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 Noteholders.*"

Selected Economic Indicators

	For the Year Ended December 31,				
	2012	2013	2014	2015	2016
	(in millions of U.S. dollars, except percentages)				
The Economy					
Nominal GDP	87,925	95,130	102,292	100,177	97,802
Real GDP [(1)]	64,362	67,546	70,243	70,354	69,321
Real GDP growth	5.6%	4.9%	4.0%	0.2%	-1.5%

	For the Year Ended December 31,					As of April 30,	
	2012	2013	2014	2015	2016	2016	2017
	(in millions of U.S. dollars, except percentages)						
Annual inflation	4.2%	2.7%	3.7%	3.4%	1.1%	1.8%	1.1%

	For the Year Ended December 31,					As of April 30,	
	2012	2013	2014	2015	2016	2016	2017
	(in millions of U.S. dollars, except percentages)						
International reserves[(2)]	2,483	4,361	3,949	2,496	4,259	2,485	3,236

	For the year ended December 31,				
	2012	2013	2014	2015	2016
	(in millions of U.S. dollars)				
Balance of Payments [(3)] [(6)]					
Exports [(3)]	24,569	25,587	26,597	19,049	17,428
Imports [(3)]	-24,519	-26,115	-26,660	-20,699	-15,858
Trade balance [(3)]	50	-528	-63	-1,650	1,570
Services balance [(3)]	-1,394	-1,420	-1,171	-805	1,054.2
Current account surplus/deficit of the balance of payments [(3)]	-166	-923	-523	-2,114	1,419

	For the Year Ended December 31,					As of March 31,
	2012	2013	2014	2015	2016	2017
The Economy						
Unemployment Rate[4]................................	4.12%	4.15%	3.80%	4.77%	5.20%	4.4%

	For the Year Ended December 31,				
	2012	2013	2014	2015	2016
	(in millions of U.S. dollars, except percentages)				
Non-Financial Public Sector					
Total revenues..	34,570	37,260	39,032	33,586	30,314
Total expenditures	35,394	41,607	44,346	38,676	37,628
Surplus/Deficit...	-824	-4,348	-5,314	-5,091	-7,314
As % of GDP [1]	-0.9	-4.6	-5.2	-5.1	-7.5
Central Government					
Total revenues..	19,523	20,400	20,381	20,344	18,556
Total expenditures	21,240	25,861	26,794	24,149	24,103
Surplus/Deficit...	-1,717	-5,461	-6,413	-3,805	-5,548
As % of GDP [1]	-2.0	-5.7	-6.3	-3.8	-5.7

Public Debt [5]

	As of December 31,					As of April 30,[7]	
	2012	2013	2014	2015	2016	2016	2017
Consolidated Total Debt	11,525.5	13,957.2	18,679.2	21,272.8	26,810.6[1]	22,623.8[1)]	27,886.0
Consolidated Debt to GDP Ratio	13.1	14.7	18.3	21.2	27.9	22.1	27.7[2]

[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 Fourth Quarter of 2016. 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 ("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.

[3] Figures reflect figures from "Balance of Payments" tables on pages 90-91.

[4] Unemployment figures based on figures from National Institute of Statistics. As a percentage of the economically active population.

[5] Debt figures in this Offering Circular are based on information from the Ministry of Finance's April 2017 Debt Bulletin and reflect data for April 217 unless otherwise indicated.

[6] Balance of payments data is published by the Central Bank on an annual and quarterly basis. Numbers reflect fourth quarter 2016 information.

[7] Debt to GDP percentages for April 2017 are calculated using estimates from the Ministry of Finance and 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 2023 Notes

Issuer:	The Republic of Ecuador.
Issue Amount:	U.S.$1,000,000,000.
Securities Offered:	U.S.$1,000,000,000 principal amount of 8.750% notes due 2023.
Issue Format:	Rule 144A/Regulation S.
Issue Price:	100.000% plus accrued interest, if any, from June 2, 2017.
Issue Date:	June 2, 2017.
Maturity Date:	June 2, 2023.
Interest:	8.750% per annum, computed on the basis of a 360-day year of twelve 30 day months.
Interest Payment Dates:	Each June 2 and December 2 of each year, commencing on December 2, 2017.

Terms of the 2027 Notes

Issuer:	The Republic of Ecuador.
Issue Amount:	U.S.$1,000,000,000.
Securities Offered:	U.S.$1,000,000,000 principal amount of 9.625% notes due 2027.
Issue Format:	Rule 144A/Regulation S.
Issue Price:	100.000% plus accrued interest, if any, from June 2, 2017.

Issue Date: June 2, 2017.

Maturity Date: June 2, 2027.

Interest: 9.625% per annum, computed on the basis of a 360-day year of twelve 30 day months.

Interest Payment Dates: Each June 2 and December 2 of each year, commencing on December 2, 2017.

General Terms of the Notes

Form: The Notes will be 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. Notes in definitive certificated form will not be issued in exchange for the global notes except under limited circumstances.

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.

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 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.

Withholding Tax and 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, except to the extent provided for in "Description of the Notes—Additional Amounts," 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.

Representations and Covenants: The Republic will agree to comply with, among others, the following covenants:

a) 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 actions in Ecuador in order to be able to make all payments to be made by it under the Notes and the Indenture.

b) 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 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.

c) The Republic will use its reasonable best efforts to list and thereafter to maintain the listing of the Notes on the Luxembourg Stock Exchange.

d) 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 (i) make any payment of principal or Make-Whole Amount on the Series of Notes (unless such non-payment is due to an administrative or technical error and is remedied within five Business Days of the date when such payment is due) or (ii) make any payment of an interest amount or Additional Amount on the Series of Notes within 30 days of the date when such payment is due.

b) The Republic fails to perform or comply with any other obligation under the Series of 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 aggregate principal amount of the Series of Notes then outstanding regarding that default.

c) The Republic, or a court of proper jurisdiction, declares a moratorium with respect to the payment of principal of, or interest on, Ecuador's External Indebtedness (other than Excluded Indebtedness).

d) The Republic fails to make any payment in respect of any External Indebtedness (other than 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 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 Ecuador’s failure to pay the principal or interest on 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 payment 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, Fondo Latinoamericano de Reservas (the “FLAR”) and IDB.

i) There shall have been entered against the Republic or the Central Bank in a matter related to External Indebtedness (other than 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 such judgment.

j) There shall be made against the Republic or the Central Bank in a matter related to External Indebtedness (other than 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.

Use of Proceeds: The Republic will use the proceeds of the Notes in accordance with the limitations of the Public Planning and Finance Code, as further described in “Use of Proceeds.”

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 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."

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."

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. The Republic and the Lead Manager cannot provide any assurances that a liquid market for the Notes will develop. The Lead Manager has advised the Republic that it currently intends to make a market in the Notes. However, it is not obligated to do so, and any market-making with respect to the Notes may be discontinued without notice.

Trustee, Registrar and Transfer Agent: The Bank of New York Mellon.

London Paying Agent: The Bank of New York Mellon, London Branch.

Luxembourg Listing Agent, Transfer Agent and Luxembourg Paying Agent: The Bank of New York Mellon SA/NV, Luxembourg 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.

Submission to Arbitration:

(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, 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. 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 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.

Scope of Sovereign Immunity:

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 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 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.

Further Issues:

The Republic may, from time to time, without the consent of the holders of the Notes, create and issue additional notes having the same terms and conditions as the Notes in all respects (or in all respects except for the amount of the first interest payment and the issue price) provided that:

(a) the notes are consolidated and form a single series with the outstanding Notes; and

(b) such additional notes do not have, for purposes of U.S. federal income taxation, a greater amount of original issue discount than the outstanding Notes have as of the date of the issue of such additional notes (regardless of whether any holders of such Notes are subject to U.S. federal income taxation).

RISK FACTORS

This section describes certain risks associated with investing in the Notes. You should consult your financial and legal advisors about the risk of investing in the Notes. Ecuador disclaims any responsibility for advising you 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.

Ecuador has been advised by the Lead Manager that it intends to make a market in the Notes but is not obligated to do so, and in the event that it does so, it may discontinue market making at any time without notice. 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 Notes will contain provisions that allow the payment terms to be amended without the consent of all holders.

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. 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" 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.

Recent 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 issued pursuant to this offer 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. You should consult your financial or legal advisors for advice concerning applicable transfer restrictions with respect to the Notes.

Credit ratings may not reflect all risks of investment in the Notes.

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 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.

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 by a majority in favor of the United Kingdom leaving the European Union at a referendum on the United Kingdom's membership of the European Union. As of the date of this Offering Circular, the actions that the United Kingdom will take to exit from the European Union or the length of such process are uncertain. The results of the United Kingdom's referendum 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 only represented 0.8% of Ecuador's exports for 2016. 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.

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 Bonds.

In 2009, Ecuador defaulted on its interest payments for the 2012 and 2030 Bonds (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 Bonds 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 Ecuadorian 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 Bonds), 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 Bonds at a discount to their par value. Holders responded to this offer by tendering substantially all of the 2012 and 2030 Bonds. Although some holders continue to hold the defaulted 2012 and 2030 Bonds, Ecuador has successfully repurchased additional 2012 and 2030 Bonds from remaining holders from 2009 onwards. For more information, see "Public Debt—Debt Obligations—2012 and 2030 Bonds and tender offer." Ecuador has remained current on its obligation to its other series of sovereign bonds including the 2020 Bonds and 2024 Bonds (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 Bonds 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 Bonds and tender offer," of these defaulted bonds 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 Bonds, 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 Bonds 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.

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 with President Correa's Alianza PAIS party having won five consecutive National Assembly elections, and President Correa having won re-election in 2013.

On February 19, 2017 (the "2017 Election") the presidential election was held with eight candidates. Lenin Moreno of President Correa's Alianza PAIS came in first with 39.36% of the vote and Guillermo Lasso of the CREO - SUMA party, came in second with 28.09% of the vote. Also, on February 19, a congressional election was held with Alianza PAIS preserving control of the legislative assembly by winning the majority of seats with 74 seats, CREO-SUMA with 28 seats and PSC with 15 seats, respectively. Since no candidate gained an outright victory of 50% of the vote or at least 40% of the vote with an additional ten points of advantage over the candidate in second place for the presidential election, a run-off election between President Moreno and Mr. Lasso was held on April 2, 2017. President Moreno was elected with 51.15% of the vote. The CNE declared President Moreno president elect on April 4, 2017. Both the OAS and the UNASUR monitored the elections and recognized the transparency of the electoral process and the election results. On April 13, 2017, CNE approved the recount of approximately 11.2% of the total ballots cast in the run-off election due to a claim of alleged inconsistencies by CREO-SUMA and Alianza PAIS. On April 18, CNE broadcast a live recount of the ballots subject to the claim. International observers, political delegates of Alianza PAIS and representatives of social organizations monitored the recount. The recount ratified President Moreno as the winner of the run-off election with 51.16% of the votes. President Moreno assumed the post of President of Ecuador on May 24, 2017 with Jorge Glas as Vice President for a four-year term.

For more information on presidential term limits, see "The Republic of Ecuador—Form of Government." 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;
- the impact of 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 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 2016, 17.8% 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.$35 per barrel in 2016, 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 the current global recession, weakness of the world economy, terrorism, market volatility and certain geopolitical developments, such as political instability in the Middle East and Venezuela, may have a potentially adverse effect on the petroleum market as a whole.

In addition, in 2016, 80.3% of Ecuador’s petroleum exports by destination were to three countries - the United States (51.8%), Chile (16.2%), and Peru (12.3%). 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 has completed 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 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 bdp and 20,004 bpd, respectively. For June 2017, Ecuador projects that its daily production quota will be reduced by 20,000 bpd. On May 25, 2017, Ecuador agreed to extend its production adjustments for a further nine-month period beginning July 1, 2017.

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.

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. For more information see "Public Sector Finances - 2015 and 2016 Budget." President Correa has stated, in light of the global economic climate, that Ecuador's priority will be to meet the Republic's employment and social goals. Ecuador may need to balance these social and employment goals given its budgetary constraints.

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 in 2015 made up approximately 15.3% and 12.4% of Ecuador's total exports, 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. A study conducted by SENPLADES, INEC and various ministries estimates that the cost of reconstructing the infrastructure damaged by the Pedernales Earthquake is approximately U.S.$3.3 billion (approximately 3% of Ecuador's GDP). 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. The study estimates that the Pedernales Earthquake will have an impact of -0.7% on the growth of 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.

Burlington

Burlington Resources, Inc. ("Burlington") filed an arbitration claim before International Centre for Settlement of Investment Disputes (the "ICSID") on April 2008 against Ecuador, seeking compensation for alleged modifications to its contracts for the development of Blocks 7 and 21 in Ecuador imposed by Ecuadorian law 42-2006. Burlington argued that such unilateral modification resulted in an expropriation of the blocks that Burlington was operating, although, subsequent to the commencement of the proceedings, Burlington withdrew the contractual claims and based all claims solely on violations of the U.S.-Ecuador Bilateral Investment Treaty. On December 14, 2012, the tribunal decided the liability issue in favor of Burlington and consequently, on January 28, 2013, Ecuador submitted a petition for reconsideration

On September 30, 2011, Ecuador filed two counterclaims against Burlington for environmental damage and failure to maintain the facilities of Blocks 7 and 21, in an approximate amount of U.S.$2.0 billion. The arbitral tribunal was scheduled to meet for a hearing on damages (in respect to Burlington's claims) and Ecuador's counterclaims in August 2013, but the hearings were suspended due to the request by Ecuador that one of the arbitrators recuse himself from the proceeding because of a conflict of interest. Burlington presented its assessment of damages memorandum on June 24, 2013, to which Ecuador responded on May 23, 2014. The tribunal held a hearing regarding damages from March 2 to March 6, 2015 in Paris, after which both parties presented their post-hearing briefs on May 29, 2015.

Hearings for the counterclaims took place from June 1 to June 7, 2014 in Paris. The parties presented their post-hearing briefs on October 3, 2014 and, in an effort to assess the validity of the counterclaims, the tribunal visited Blocks 7 and 21 in April 2015. The parties presented their post-visit briefs on July 15, 2015. The result of the hearing regarding the counterclaim is pending. On February 7, 2017, the arbitral tribunal issued its decision. The tribunal rejected the amount of U.S.$1.5 billion claimed by Burlington and instead awarded Burlington U.S.$379.8 million plus interest. The tribunal also accepted Ecuador's counterclaims holding Burlington responsible for U.S.$41.7 million for the costs of environmental damage and failure to repair the facilities of Blocks 7 and 21.

On February 10, 2017, Burlington commenced a petition for recognition of the award in the District Court for the Southern District of New York. Similar actions have been initiated in Washington DC and the United Kingdom. On February 10, 2017, the clerk of court for the Southern District of New York granted the petition to recognize the award totaling U.S.$379,802,267, and additional pre-award and post-award interest. Shortly thereafter, Ecuador and Burlington agreed to suspend any proceedings for recognition of awards and the enforcement of payment obligations until the ICSID Annulment Committee renders its decision regarding the suspension of execution of the awards. Accordingly, the Southern District of New York and the U.S. District Court for the District of Columbia stayed all proceedings related to the enforcement of the judgment based on the parties' stipulation pending the ICSID's decision regarding the annulment of the award.

On February 13, 2017, Ecuador presented a request to set aside the arbitral decision as well as the decision on the counterclaims claiming that they are both defective under the CIADI Convention. Together with this petition, Ecuador requested the suspension of the arbitral decision. On February 14, 2017, the ICSID granted the suspension of the execution of the arbitral award against Ecuador. Also, on February 14, 2017, Ecuador filed an application for annulment of the award rendered against it with respect to the arbitral tribunal's decision on February 7, 2017, decision. On May 15, 2017, the arbitral tribunal's Annulment Committee was constituted, which will be in charge of ruling on Burlington's petition to lift the suspension of the execution of the arbitral award against Ecuador and Ecuador's petition for the annulment of the award rendered against it on February 7, 2017. The schedule of upcoming proceedings, including dates for hearings, remains pending.

Claims under the 2030 Bonds

On December 12, 2014, GMO Trust issued proceedings against the Republic in respect of an alleged U.S.$15,876,000 holding of 2030 Bonds. GMO voluntarily withdrew its complaint pursuant to a settlement agreement between the parties. A stipulation dismissing the complaint was filed on March 16, 2015; under that stipulation, the case cannot be re-filed.

On January 30, 2015, Daniel Penades issued proceedings against the Republic in respect of an alleged U.S.$455,000 holding of 2030 Bonds. Ecuador was served with a notification of the claim on September 16, 2015. On January 15, 2016, Ecuador filed a motion to dismiss. On September 30, 2016, the United States District Court for the Southern District of New York granted Ecuador's January 15, 2016 motion to dismiss the Penades complaint and ordered the case closed. On October 27, 2016, Mr. Penades filed a notice of appeal with the Southern District of New York to the United States Court of Appeals for the Second Circuit. Thereafter, Mr. Penades duly filed the required standard forms to initiate the new appeal case.

On November 29, 2016 the United States Court of Appeals for the Second Circuit issued a notice stating that the appeal had been assigned to the Court's Expedited Appeals Calendar. On January 3, 2017, Mr. Penades submitted a brief in support of his position. Ecuador filed its brief in response on February 7, 2017. On February 7, 2017, Mr. Penades filed a motion requesting a time extension to file his reply brief by March 8, 2017. On February 8, 2017, the United States Court of Appeals for the Second Circuit granted Mr. Penades' motion. On February 23, 2017, the United States Court of Appeals for the Second Circuit scheduled the case for the week of May 1, 2017. On March 8, 2017, Mr. Penades filed his reply brief. On May 5, 2017, the case was submitted to the United States Court of Appeals for the Second Circuit for review. On May 17, 2017, the United States Court of Appeals for the Second Circuit entered a summary order affirming the judgment of the United States District Court for the Southern District of New York, granting Ecuador's motion to dismiss Mr. Penades' complaint.

Part of the offering 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 offering includes that the Lead Manager in the offering could be said to have an obligation to pay the offering 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 Bonds. 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 Bonds. For more information, see "Public Debt—Debt Obligations—2012 and 2030 Bonds 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 Noteholders.

The Republic is subject to a limitation on borrowing due to the Public Planning and Financing Code, 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, 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 exception from the National Assembly on a case by case basis. See "Public Sector Finances Overview—Fiscal Policy." 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 modifies Article 135 of the Public Planning and Finance Code. Decree 1218 changes the methodology that the Ministry of Finance uses 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 has been exceeded. Under Decree 1218, the Ministry of Finance will now use 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. In contrast, the aggregation methodology, which the Ministry of 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 eliminates certain types of debt from the calculation and, by extension, reduces the amount of total public debt taken into account for purposes of the 40% total public debt to GDP ceiling.

Because the consolidation methodology does not take into account intra-governmental debt in the calculation of total public debt, Decree 1218 will enable 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. While the change in methodologies may reduce the near-term likelihood that the Republic will need to amend the Public Planning and Finance Code or seek an exception from the National Assembly in order to incur more debt, the interests of the Noteholders could be materially affected to the extent that the change in methodologies 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, as of December 31, 2015, International Reserves covered 9.5% of current account payments. Ecuador's 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 Bonds), 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 Bonds*." Following the report in 2008, Ecuador defaulted on its payments for the 2012 and 2030 Bonds 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 Bonds 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 Bonds. Although some holders continue to hold the defaulted 2012 and 2030 Bonds, Ecuador has successfully repurchased additional 2012 and 2030 Bonds from remaining holders from 2009 onwards. As of the date hereof, the total aggregate amount of outstanding principal on the 2012 and 2030 Bonds is U.S.$52.1 million, which represents 1.6% of the original aggregate principal amount of the 2012 and 2030 Bonds. For more information, see "Public Debt—Debt Obligations—2012 and 2030 Bonds and tender offer." Given the history of defaults, and more recently, defaults with respect to the 2012 and 2030 Bonds as a result of the CAIC determining that the bonds 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 "Exchange Rate Information."

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 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 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 total expenses of this offering, including the underwriter's fee, is estimated to be approximately U.S.$6.5 million.

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 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 2016, the total population of Ecuador is approximately 16.5 million. Approximately 50.2% of the population live in the Pacific coastal plains, 44.5% live in the Andean highlands, 5.1% 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 63.6% of the population is urban. Guayaquil, which is located on the coast, is the largest city with 2.6 million inhabitants. Quito, the country's capital, has a population under 2.6 million and is located in the highlands at 2,850 meters above sea level. Cuenca is the third largest city with 591,996 inhabitants, and is also located in the Andean highlands. 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

	2012	2013	2014	2015	2016
Total population (*million*)	15.5	15.8	16.0	16.3	16.5
Female (%)	50.4	50.5	50.5	50.5	50.5
Male (%)	49.6	49.5	49.5	49.5	49.5
Urban (%)	63.0	63.2	63.3	63.4	63.6
Rural (%)	37.0	36.8	36.7	36.6	36.4
Functional age groups (%)					
Child (0–14)	31.8	31.5	31.1	30.7	30.3
Adult (15–64)	61.6	61.9	62.2	62.5	62.8
Elderly (65+)	6.6	6.7	6.7	6.8	6.9
Demographic Indicators					
Average Annual Growth (%)	1.7	1.6	1.6	1.6	1.5
Birth Rate (per thousand)	4.1	4.0	3.9	4.0	n/a
Infant Mortality Rate (per 1,000 live births)	8.8	8.6	8.4	8.9	n/a
Fertility Rate (per woman)	2.7	2.6	2.6	2.5	2.5
Average Life Expectancy (*age*)					
Female	78.3	78.6	78.8	79.1	79.3
Male	72.7	72.9	73.2	73.4	73.7
Overall	75.5	75.8	76.0	76.2	76.5

Source: Based on data from INEC.

The following table sets forth certain comparative information for Ecuador in 2015 relative to certain countries:

Selected Comparative Social Statistics [(1)]

As of December 31, 2015

	Ecuador	Bolivia	Paraguay	Honduras	Guatemala	Costa Rica	United States
Average life expectancy	75.8	68	73	73	71	79	79
Adult literacy rate	94%	94%	95%	87%	77%	97%	n/a
Expected years of schooling	9.8	13.9	12.3	11.2	10.7	15.1	16.5
Population below poverty line	23.3%	39.1%	22.6%	49.3%	53.7%	21.7%	n/a

Source: Ecuador data based on INEC projections as of December 31, 2015, remaining country data based on World Bank data available as of December 31, 2015.

(1) In Ecuador, as of December 2015, the poverty line was U.S.$83.79/month, per household.

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 as of the date of this Offering Circular. 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.

An evaluation conducted by SENPLADES, INEC and various ministries estimates that the cost of reconstructing the infrastructure damaged by the Pedernales Earthquake, including adding earthquake resistant features, is approximately U.S.$3.3 billion (approximately 2-3% of Ecuador's GDP) out of which U.S.$2.3 billion would come from the public sector and U.S.$1.1 billion would come from the private sector. 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 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 Law of Solidarity was published and became effective. The Law of Solidarity includes the following measures:

- increasing the value added tax 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). It is expected that on May 31, 2017, such rate will return 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 contribution of a day's salary for one month for those earning more than U.S.$1,000 a month;

- a one-time contribution of a day's salary for two months for those earning more than U.S.$2,000 a month, and similarly until a limit of a one-time contribution of one day's salary for five months for those earning more than U.S.$5,000 a month.

Former President Correa also indicated that Ecuador would draw from existing contingent credit lines, including a U.S.$150 million credit line with the World Bank, a U.S.$240 million credit line with IDB, and a U.S.$100 million with the CAF, and would explore the possibility of selling certain assets of the Republic, including the Sopladora 487 MW hydroelectric plant, Banco del Pacífico S.A., the *Corporación Nacional de Telecomunicaciones*, and other state owned utilities. 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. Ecuador received the funds under IMF rapid financing instrument. The increase in international reserves during the period from April 30, 2016 to April 30, 2017 was primarily due to loan disbursements, including under the IMF financing instrument. On July 8, 2016, the Executive Board of the IMF concluded its annual Article IV consultation with Ecuador.

To date, four sources of financing being used to address relief and restoration efforts in relation to the Pedernales Earthquake include the General State Budget, proceeds from the Law of Solidarity, contingent lines of credit and national and international donations. 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.

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 fuelled 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. In 2006, former president Rafael Correa was elected with 56.67% of the vote. Under his administration, which began in January 2007, voters approved the 2008 Constitution, Ecuador's 20th constitution since gaining independence. Former President Correa was reelected in general elections held in February 2013 with 57.17% of the vote for a term ending in May 2017. On April 2, 2017, Lenin Moreno was elected as Correa's successor. President Moreno assumed the post of President of Ecuador on May 24, 2017 with Jorge Glas as Vice President 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.

The 2008 Constitution establishes a single chamber national assembly elected through direct popular vote for a four-year period (the "National Assembly"). 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") the presidential election was held with eight candidates. Lenin Moreno of Former President Correa's Alianza PAIS came in first with 39.36% of the vote and Guillermo Lasso of the CREO - SUMA party, came in second with 28.09% of the vote. Also, on February 19, a congressional election was held with Alianza PAIS preserving control of the legislative assembly by winning the majority of seats with 74 seats, CREO-SUMA with 28 seats and PSC with 15 seats, respectively. Since no candidate gained an outright victory of 50% of the vote or at least 40% of the vote with an additional ten points of advantage over the candidate in second place for the presidential election, a run-off election between President Moreno and Mr. Lasso was held on April 2, 2017. President Moreno was elected with 51.15% of the vote. The CNE declared President Moreno president elect on April 4, 2017. Both the OAS and the UNASUR monitored the elections and recognized the transparency of the electoral process and the election results. On April 13, 2017, CNE approved the recount of approximately 11.2% of the total ballots cast in the run-off election due to a claim of alleged inconsistencies by CREO-SUMA and Alianza PAIS. On April 18, CNE broadcast a live recount of the ballots subject to the claim. International observers, political delegates of Alianza PAIS and representatives of social organizations monitored the recount. The recount ratified President Moreno as the winner of the run-off election with 51.16% of the votes. 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 May 23, 2017, President Moreno announced the members of his cabinet, composed of 23 ministers, 12 secretaries and 8 other authorities. President Moreno named Carlos Alberto de la Torre Muñoz as the Minister of Finance and Pablo José Campana Saénz as the Minister of Foreign Trade. President Moreno's cabinet includes former ministers under former President Correa's cabinet such as the Minister of Education, the Minister of Health and the Minister of the Interior. On May 24, 2017, President Moreno merged the *Ministerio de Coordinación y Politica Economica* (the "Ministry of Coordination and Economic Politics") and the *Ministerio de Finanzas* (the "Finance Ministry") which became the Ministerio de Economía y Finanzas (the "Ministry of Economy and Finance"). President Moreno abolished the following coordinating ministries by executive decree: the *Secretaría del Buen Vivir* (the "Secretariat for the National Development"), the *Secretaría Nacional de la Administración* ("the National Secretariat of Administration"), the *Ministerio de Agricultura, Ganadería, Acuacultura y Pesca* (the "Ministry of Agriculture, Livestock, Aquaculture and Fishing"), the *Ministerio de Coordinación de la Producción,* Empleo y Competividad (the "Ministry for the Coordination of Production, Employment and Competition"), the *Ministerio de Sectores Estratégicos* ("the Ministry of Strategic Sectors"), the *Ministerio de Seguridad* (the "Ministry of Security") and the *Ministerio del Conocimiento y Talento Humano* (the "Ministry of Knowledge and Human Talent"). President Moreno created the Ministry of Aquaculture as well as the *Secretaría Técnica del Programa de Toda una Vida* (the "Technical Secretariat for Affordable Housing, Development and Youth Employment").

During his inaugural address, President Moreno announced plans to maintain a dollarized economy, sign an executive decree to establish an austerity plan and create a Production & Taxation Advisory Council to establish a dialogue between the public and private sectors.

In addition, based on his party's platform, President Moreno set forth the following plans for his administration intended to be formalized during the next 90 days of his presidency through a development plan:

- creating the *Consejo Consultivo para la Transparencia* (the "Advisory Council for Transparency"), an anti-corruption organism dedicated to prevention, detection, sanction and remedy mechanisms to combat corruption within the framework of the UN Convention against Corruption;

- creating 40 universities with a technical and technological focus;

- increasing access to scholarships for low-income students at private universities receiving government aid;

- providing a grant to students in extreme poverty who graduate from high school to utilize in entrepreneurial endeavors;

- incentivizing rural agricultural investment;

- using the annual income estimated from tax returns towards creating new jobs for youths as well as towards economic and cash incentives to finance youth entrepreneurship; and

- incentivizing home ownership through giving access to affordable, long term credit with the BIESS, and public and private banks.

The following table shows the composition of the National Assembly as of May 2017:

Political Party	May 2017 Number of Members
Alianza PAIS	74
CREO – SUMA	28
PACHAKUTIK	4
PACHAKUTIK – Izquierda Democrática	1
Izquierda Democrática	3
Fuerza Democrática	1
CREO	4
SUMA	2
PSP	2
PSC	15
Others	3
Total	**137**

Source: El Telegráfo

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.

The judicial system consists of the *Corte Nacional de Justicia* ("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 *Contraloría General del Estado* (the "Office of the Comptroller General"), the *Consejo de Participación Ciudadana y Control Social* (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 *Consejo Nacional Electoral* ("National Electoral Council") and the *Tribunal Contencioso Electoral* (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.

Memberships in International Organizations and International Relations

International Organizations

Ecuador has diplomatic relations with approximately 102 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.

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 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. Ecuador received the funds under the IMF rapid financing instrument. The increase in international reserves during the period from April 30, 2016 to April 30, 2017 was primarily due to loan disbursements, including under the IMF financing instrument. On July 8, 2016, the Executive Board of the IMF concluded its annual Article IV consultation with Ecuador. Separately, the World Bank has provided several recent project level financing for projects in infrastructure, irrigation, transport and sanitation. These projects include the Chimborazo Development Investment project in 2007 and the Quito Metro line project in 2012. See "The Ecuadorian Economy—Strategic Sectors—Transportation." For more information, see "Monetary System—the Central Bank."

Treaties and Other Bilateral Relationships

Ecuador was 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 the following countries: 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 of 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 a decisive tool 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 regards 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. On May 16, 2017, Ecuador formally denounced and terminated bilateral investment treaties with Argentina, Bolivia, Canada, Chile, China, France, Germany, Italy, Northern Ireland, the Netherlands, Peru, Spain, Sweden, Switzerland, the United Kingdom, the United States and Venezuela.

In addition, on December 12, 2014, representatives from Ecuador's Ministry of Foreign Commerce signed a trade agreement with the European Union. For more information see "Balance of Payments and Foreign Trade—Foreign Trade—Trade Policy."

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 November 11, 2016, Ecuador signed a trade agreement with the European Union Council. 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. Both the European Union and Ecuador intend to implement the trade agreement on a provisional basis in 2017.

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 is also a member of the *Alianza Bolivariana para los Pueblos de nuestra América Latina* ("ALBA") along with Venezuela, Bolivia, Cuba, and other Caribbean nations. In February 2012, ALBA members signed an agreement to create an *espacio de interdependencia*, a shared economic development zone between all members. Ecuador is also linked to Mercosur (comprised of Argentina, Brazil, Paraguay, Uruguay and Venezuela), 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 with Colombia and Peru along with the EU, 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.

THE ECUADORIAN ECONOMY

Gross Domestic Product

In 2011, the economy grew by 7.9% in real terms, the highest growth rate in the last decade. Foreign debt reached U.S.$10.06 billion, primarily due to a loan with the China Development Bank in the amount of U.S.$2 billion. This total external debt amount represented 12.7% of GDP, while annual year-end inflation for the year was 5.4%.

In 2012, the economy of Ecuador grew by 5.6% in real terms, which was mainly driven by an increase in fixed capital formation and public sector consumption, 10.6% and 11.4%, respectively. Gross fixed capital formation in 2012 increased, in real terms, by U.S.$1.58 billion due to the various infrastructure projects and public sector investments undertaken by Ecuador that year. For more information, see "The Ecuadorian Economy—Strategic Sectors of the Economy—Electricity and Water." Foreign debt reached U.S.$10.87 billion, which represented 12.4% of GDP, while the annual year-end inflation for the year was 4.2%.

In 2013, the economy of Ecuador grew by 4.9% in real terms, which was mainly driven by continued increases in fixed capital formation and public sector consumption, which increased by 10.4% and 10.3%, respectively. Foreign debt reached U.S.$12.92 billion, which represented 13.6% of GDP, while the annual year-end inflation for the year was 2.7%.

In 2014, the economy of Ecuador grew by 4.0% 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 represents 17.2% of GDP, while the annual year-end inflation for the year was 3.7%.

In 2015, the economy of Ecuador grew by 0.2% 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 Bonds. 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.

Inflation for the 12-month period ending in December 31, 2016 decreased to 1.1% from 3.4% for the 12-month period ending December 31, 2015. This decrease is 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. Inflation decreased from 1.8% for the 12-month period ended April 30, 2016 to 1.1% for the 12-month period ended April 30, 2017 due to a decrease in price of certain products including sound and image recording equipment, garments for women, footwear for men, fruits, motor vehicles and frozen or refrigerated fresh poultry, as a result of a stronger dollar and the application of certain additional tariffs.

On April 10, 2017, the Central Bank published information regarding GDP for 2016. Real GDP for 2016 was U.S.$69,321 million, compared to U.S.$70,354 million in 2015, representing a decrease of 1.5% in real terms. This decrease is mainly due to the decline in the price of oil, a stronger dollar and the impact of the Pedernales earthquake.

Real and Nominal GDP

(in millions of U.S. dollars, except percentages)

	For the Year Ended December 31,				
	2012	**2013**	**2014**	**2015**	**2016**
Real GDP (in millions of U.S.$)	64,362	67,546	70,243	70,354	69,321
Real GDP growth	5.6%	4.9%	4.0%	0.2%	-1.5%
Nominal GDP	87,925	95,130	102,292	100,177	97,802

Source: Based on figures from the Central Bank Quarterly National Accounts for the Fourth Quarter of 2016.

Nominal GDP by Economic Sector [(1)]

(in millions of U.S. dollars, except for percentages)

	For the Year Ended December 31,									
	2012	**% of GDP**	**2013**	**% of GDP**	**2014**	**% of GDP**	**2015**	**% of GDP**	**2016**	**% of GDP**
Manufacturing[(2)]	10,740	12.21	11,974	12.59	13,879	13.57	13,815	13.79	13,628	13.93
Construction	9,379	10.67	10,013	10.53	10,869	10.63	10,719	10.70	9,428	9.64
Petroleum	11,092	12.62	11,545	12.14	10,915	10.67	4,410	4.40	3,842	3,93
Trade (commerce)	9,054	10.30	9,977	10.49	10,555	10.32	10,501	10.48	9,924	10.15
Agriculture	6,564	7.47	7,231	7.60	8,114	7.93	8,452	8.44	8,429	8.62
Community services	6,943	7.90	7,513	7.90	7,879	7.70	8,679	8.66	8,743	8.94
Government services[(3)]	5,500	6.26	6,051	6.36	6,610	6.46	6,938	6.93	6,518	6.66
Administrative activity[(4)]	5,712	6.50	6,550	6.89	7,149	6.99	6,920	6.91	6,741	6.89
Transportation	3,860	4.39	4,300	4.52	4,523	4.42	4,469	4.46	4,516	4.62
Finance and insurance	2,761	3.14	2,591	2.72	3,180	3.11	3,332	3.33	3,388	3.46
Telecommunications	1,914	2.18	2,021	2.12	2,171	2.12	2,039	2.04	1,845	1.89
Electricity and water	1,046	1.19	1,066	1.12	1,302	1.27	1,557	1.55	1,804	1.85
Shrimp	462	0.53	516	0.54	491	0.48	393	0.39	418	0.43
Mining	289	0.33	305	0.32	337	0.33	354	0.35	344	0.35
Others [(5)]	12,609	14.34	13,477	14.16	14,317	14.0	17,598	17.57	18,232	18.64
Total GDP	**87,925**	**100**	**95,130**	**100**	**102,292**	**100**	**100,177**	**100**	**97,802**	**100.0**

Source: Based on information from the Central Bank.

(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, 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,				
	2012	**2013**	**2014**	**2015**	**2016**
Real GDP Growth	5.6	4.9	4.0	0.2	-1.5
Import of goods & services [(1)]	0.8	7.0	4.3	-8.6	-6.4
Total Supply of Goods & Services	**4.5**	**5.4**	**4.1**	**-1.9**	**-2.6**
Public Sector Consumption	11.1	10.3	5.2	0.6	-3.3
Private Consumption	2.9	3.9	3.4	-0.1	-1.9
Gross Fixed Capital Formation	10.6	10.4	3.8	-5.9	-8.0
Exports of goods and services[(1)]	5.5	2.6	4.2	-0.4	-0.3
Total Final Demand	**4.5**	**5.4**	**4.1**	**-1.9**	**-2.6**

Source: Based on figures from the Central Bank Quarterly National Accounts for the Fourth Quarter of 2016.

(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,				
	2012	**2013**	**2014**	**2015**	**2016**
Per capita Nominal GDP (current U.S.$)	5,665	6,030	6,382	6,154	5,917
Per capita Real GDP	4,147	4,282	4,383	4,322	4,194
Population (in thousands)[(1)]	15,521	15,775	16,027	16,279	16,529

Source: Based on figures from the Central Bank Quarterly National Accounts for the Fourth Quarter of 2016.

(1) 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,				
	2012	**2013**	**2014**	**2015**	**2016**
Consumption					
Public Sector Consumption	8,712.1	9,609.8	10,111.9	10,172.3	9,831.8
Private Consumption	40,361.9	41,942.3	43,375.8	43,313.2	42,510.0
Total Consumption	49,074.0	51,552.1	53,487.7	53,485.5	52,341.8
Gross Investment					
Gross Fixed Capital Formation	16,496.2	18,214.1	18,904.8	17,797.9	16,367.0
Change in Inventory	380.3	261.3	460.2	-101.7	230.7
Exports of goods and services[(1)]	17,756.0	18,210.3	18,974.5	18,904.0	18,844.5
Imports of goods and services [(1)]	19,344.1	20,691.6	21,584.1	19,731.9	18,462.6
Real GDP	64,362.4	67,546.1	70,243.0	70,353.9	69,321.4

Source: Based on figures from the Central Bank Quarterly National Accounts for the Fourth Quarter of 2016.

(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 the 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

Upon taking office, former President Correa believed that significant reforms were necessary to rectify years of corruption, especially in regards to economic and financial matters. To do so, Correa called for a referendum to write a new constitution, which was approved by the electorate and the National Assembly. The 2008 Constitution provided the foundation for the economic and financial reform initiatives of his administration.

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 shall 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 establishment of presidential term limits (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 June 26, 2014, the President of the National Assembly submitted a request to the Constitutional Court soliciting their opinion as to whether certain proposals, including one that would allow for re-election of the President of Ecuador for an indefinite number of terms, were constitutional amendments or constitutional reforms. Constitutional amendments require only the approval of two-thirds of the National Assembly while constitutional reforms require both the approval of a two-thirds vote in the National Assembly and a majority of the population eligible to vote in a popular referendum. On November 1, 2014, the Constitutional Court ruled that the proposals were constitutional amendments and therefore did not require a popular referendum. In December 2015, the National Assembly approved the proposals, including an amendment allowing for the indefinite re-election of the president. However, a transitional provision was included stating that the amendment will not be effective before May 24, 2017, and thus it did not apply to former President Correa, whose term finished on May 23, 2017. Correa announced that he would not run for a subsequent term, and, accordingly, the 2017 Election was held on April 2, 2017. President Moreno was elected with 51.15% of the vote. The CNE declared President Moreno as president elect on April 4, 2017. Both the OAS and Unasur monitored the elections and recognized the transparency of the electoral process and the election results. On April 13, 2017, CNE approved the recount of approximately 11.2% of the total ballots cast in the run-off election due to a claim of alleged inconsistencies by CREO-SUMA and Alianza PAIS. On April 18, CNE broadcast a live recount of the ballots subject to the claim. International observers, political delegates of Alianza PAIS and representatives of social organizations monitored the recount. The recount ratified President Moreno as the winner of the run-off election with 51.16% of the votes. 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 April 13, 2016, a request soliciting the Constitutional Court's opinion on the feasibility of a referendum to eliminate such a transitional provision was accepted. The Constitutional Court held that pursuant to Article 441 of the 2008 Constitution, in order for the referendum to take place, certain formal requirements must be met including a petition signed by at least 8% of the citizens registered in the electoral roll. The April 13, 2016 decision of the Constitutional Court did not specify a time limit for the referendum to be held.

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 Desarrolo 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.

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"). For more information on these laws and other tax reforms, see "Public Sector Finances—Taxation and Customs," and "Public Sector Finances-Tax Reforms."

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 will amend its existing mining laws. In an interview, the Minister of Coordination of Strategic Sectors has stated the principal objective of these new laws will be to attract investment in the mining sector. However, drafts of these potential reforms have not been publicly circulated and once publicly announced, are subject to the modifications by and approval of the National Assembly.

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 shall 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 $15 to $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. See "Legal Proceedings—Windfall Profits Tax Litigation."

Public Planning and Finance Code

Enacted in October 2010, the *Código Orgánico de Planificación y Finanzas Públicas* ("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 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 Finance to issue short-term treasury notes with a term of less than one year (the "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").

Both the Republic and the Autonomous Decentralized Governments are subject to this law. For more information on the Public Planning and Finance Code, see "Public Sector Finances—Fiscal Policy."

Production Code

Enacted in December 2010, the Production Code was created to stimulate investment and increase the production of goods and services. The objective of this law was to create fair guidelines that would balance workers' rights with economic incentives for investors. To achieve that objective, the Production Code:

- provides guidelines for the *Consejo Nacional de Salarios* ("National Council on Wages") to consider in setting the minimum wage;

- provides guidelines for foreign investments and outlines the rights of foreign investors; and

- creates tax incentives for investors, including a 3% reduction on capital gains tax and the elimination of up-front taxes on any new investment.

Law for Market Power Control and Regulation

Enacted in October 2011, the *Ley Orgánica de Regulación y Control del Poder de Mercado* ("Law for Market Power Control and Regulation") was created to avoid, reform and penalize the abuse of market power. The objectives of the law were to prevent, prohibit and penalize collusive deals and other restrictive practices; control and regulate economic concentration operations; and prevent, prohibit and penalize disloyal practices, thereby seeking market efficiency as well as individual and collective well-being.

Environmental Improvement and State Resources Optimization Law

In November 2011, the Republic published and made effective the *Ley de Fomento Ambiental y Optimización de los Recursos del Estado* ("Environmental Improvement and State Resources Optimization Law") to strengthen the environmental regulatory framework of the country. The law establishes, among others:

- an increase of the *Impuesto a la Salida de Divisas* ("Currency Outflow Tax"), from 2% to 5% (for more information regarding the Currency Outflow Tax see "Balance of Payments and Foreign Trade—Foreign Trade—Trade Policy");

- a tax increase on cigarettes and alcoholic beverages;

- the creation of a two-cent tax on plastic bottles; and

- the creation of a vehicle pollution tax.

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.

Comprehensive Law of Redistribution of Income for Social Expenditures

Enacted in January 2013, the *Ley Orgánica de Redistribución de los Ingresos para el Gasto Social* **(**"Comprehensive Law of Redistribution of Income for Social Expenditures") was created to direct economic resources towards the financing of certain key social expenditures that generate economic activity. For more information on this law, which includes tax reforms, see "Public Sector Finances—Taxation and Customs."

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 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 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 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, as of May 2016, approximately U.S.$1 million was in circulation in Ecuador in electronic currency. 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 issued various laws, 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. This resolution is expected to reduce the liquidity of these financial institutions' Central Bank deposits by approximately U.S.$750 million.

Telecommunications Law

Enacted by the National Assembly in February 2015, the *Ley Orgánica de Telecomunicaciones* ("Telecommunications Law") was created to improve access to quality telecommunications services and to increase the use of information technology in rural sectors. The objective of the law was to foster competition among telecommunication providers in order to increase the quality of telecommunication services in the country. The law applies to all companies that provide or facilitate the transmission of voice, video, data or any other type of signal via physical or wireless means. Under the Telecommunications Law, companies whose market share exceeds certain thresholds must pay a corresponding tax to the Government, which tax increases depending on the percentage of market share held. For example, companies that hold a market share higher than 75% must pay the government a tax equal to 9% of their total revenues for the year. In addition, the law provides that telecommunications companies must provide their services in Shuar and Quechua as well as in Spanish.

Labor, Justice and Home Maker Recognition Law

Enacted in April 2015, the *Ley Orgánica para la Justicia Laboral y Reconocimiento del Trabajo en el Hogar* (the "Labor Justice and Home Maker Recognition Law") amends certain laws related to Ecuador's social security system. Under the Labor Justice and Home Maker Recognition Law, homemakers previously ineligible to receive social security benefits can now enroll and receive benefits as a result of disability or old age. In addition, the law eliminates mandatory contributions to the social security system by the Government. Instead, the law establishes a Government guarantee to finance the social security system only when the contributions from employers and employees are insufficient to meet the resources required in a particular year.

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.

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 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 of Solidarity

On May 20, 2016, the 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 in an effort to reallocate public funds other than those for health and education, toward reconstruction effort resulting from the Pedernales earthquake. The Law of Solidarity includes the following measures:

- increasing the value added tax by 2% (from 12% to 14%) for one year from June 1, 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). It is expected that on May 31, 2017, such rate will return 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;

- a one-time contribution of a day's salary for one month for those earning more than U.S.$1,000 a month; and

- a one-time contribution of a day's salary for two months for those earning more than U.S.$2,000 a month, and similarly until a limit of a one-time contribution of one day's salary for five months for those earning more than U.S.$5,000 a month.

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.

Law on Tax Incentives

On October 12, 2016, the *Ley Orgánica de Incentivos Tributarios para Varios Sectores Productivos e Interpretativa del Artículo 547 del Código Orgánico de Organización Territorial, Autonomía y Descentralización* (the "Law on Tax Incentives") was published and became effective. The Law on Tax Incentives is intended to encourage productivity by extending tax incentives to additional sectors of the economy. The law establishes income tax deductions for micro, small and medium sized businesses that provide private health insurance to their employees and income tax deductions for public and commercial transport operators equal to the value of the vehicles owned by such operators.

Law to Regulate Companies that Finance Pre-paid Health Services and Health Insurance Companies

On October 17, 2016, the *Ley Orgánica que Regula a las Compañías que Financien Servicios de Atención Integral de Salud Prepagada y a las de Seguros que Oferten Cobertura de Seguros de Asistencia Médica* (the "Law to Regulate Companies that Finance Pre-paid Health Services and Health Insurance Companies") was published and became effective. The law is intended to regulate health service companies and health insurance companies and to provide clear legal requisites for the establishment and operation of those entities.

Law to Strengthen the Social Security System of the Armed Forces and National Police

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.

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 modifies Article 135 of the Public Planning and Finance Code. Decree 1218 changes the methodology that the Ministry of Finance uses 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."

Law to Eliminate Speculation and Tax Fixing

On December 13, 2016, the *Ley Orgánica para evitar la Especulación sobre el valor de las tierras y fijación de tributos* (the "Law to Eliminate Speculation and Tax Fixing") was published and became effective. This law is intended to create a more equal distribution of wealth and resources in Ecuador. This law imposes a tax of 75% on capital gains obtained from the sale of real estate in excess of an amount equal to 24 basic unified wages, or U.S.$9,000 as of the time the minimum wage for the year 2017 went into effect. The Law to Eliminate Speculation and Tax Fixing also imposes more stringent property record keeping obligations on the Autonomous Centralized Governments.

Law to Reform the Organic Law of Public Service and Labor Code

On December 20, 2016, *the Ley Orgánica Reformatoria a la Ley Orgánica de Servicio Público y al Código de Trabajo* ("Law to Reform the Organic Law of Public Service and Labor Code") was published and became effective. Under this law, a public servant who ceases to work for a public institution receives full remuneration up until the last day worked on the last month of work without receiving payment for the remaining days not worked on that month. The aim is not to overcompensate those employees partially working during a month as opposed to those who work the full month.

Organic Code for the Environment

On April 12, 2017 the *Código Orgánico del Ambiente* (the "Organic Code for the Environment") was published. The Organic Code for the Environment will become effective on April 12, 2018, and will regulate activities that generate impact and damage to 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: an emphasis for sustainable development, clean technology, alternative energies, and additions to production costs of all necessary 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 Restructuración 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 the National System of Road Infrastructure for Ground Transportation

On May 5, 2017, the *Ley Orgánica del Sistema Nacional de Infraestructura Vial del Transporte Terrestre* (the "Organic Law for the National System of Road Infrastructure for Ground Transportation") was published and became effective. The law establishes a regime for the design, planning, execution, construction, maintenance, regulation and control of infrastructure for ground transportation and its complementary services. The law classifies roads by type to facilitate the approval of projects for the construction of road infrastructure, requires these projects to include studies of environmental and social impact as well as of security of the road, and allocates responsibility to the central government and the Autonomous Decentralized Governments to maintain the infrastructure of ground transportation.

Strategic Sectors of the Economy

Ecuador's principal economic sectors are coordinated under the Ministry of Coordination of Strategic Sectors. MICSE supervises and coordinates the activities of the Secretary of Water, Ministry of Telecommunications, Ministry of Electricity and Renewable Energy, Ministry of Mines and the Ministry of Hydrocarbons, who in turn 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. The Government of the Republic considers 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 Ecuador Estratégico, and other areas of investments including those made by Environment Ministry 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. For more information regarding the 2016 budget please see "Public Sector Finances - 2015, 2016 and 2017 Budgets."

The following chart sets forth accumulated investment in strategic sectors since 2012:

Strategic Sector Investment
(in millions of U.S.$)

	2012	2013	2014	2015	2016[1]
Water	69	201	363	485	234
Telecommunications	371	433	298	322	217
Natural Resources (oil and mining)	2,544	3,915	4,339	3,014	2,533
Electricity	1,148	1,730	1,777	1,801	1,348
Ecuador Estratégico	109	191	175	57	28
Other investment [2]	107	67	66.12	56.31	26
Total Investment	**4,349**	**6,536**	**7,017**	**5,736**	**4,386**

Source: MICSE Information available as of December 2016.

(1) Includes preliminary information. Public companies have yet to adjust their budgets.

(2) Includes investments made by the Environment Ministry and the Public Enterprise Administrator of the Special Economic Development Zone Eloy Alfaro (ZEDE).

Ecuador Estratégico

Ecuador Estratégico's main functions are to evaluate project proposals submitted by municipalities, administer and distribute funds towards approved projects, and supervise the completion and progress of each project. According to *Ecuador Estratégico*, the Mirador is the first mining project on a large-scale. The Fruta del Norte project is a gold and silver mineral deposit with expected benefits considering the current prices of those metals. Financing for infrastructure projects has been procured through a selection process where competing financing offers are compared to determine the offer with the most favorable terms. The process, undertaken by Ministries under the supervision of *Ecuador Estratégico*, in consultation with the Ministry of Finance, assigns a percentage value to different aspects of an offer (price, experience of the financing entity in the type of project, and overall experience, among others). Projects with high levels of financing emphasize the price offered by the financing entity and assign a large percentage value to price. Then, competing offers are granted points depending on their qualifications. The financing entity with the most points is then chosen to finance the project. Financing has also been procured through joint venture contracts and direct investment through a grant of a concession and service contracts.

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 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. The Ministry of Hydrocarbons will continue to supervise and regulate oil related activities in Ecuador in the same capacity as the Ministry of Non-Renewable Resources.

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 Hydrocarbons acting through the Hydrocarbons Regulation and Control Agency and the Hydrocarbons Secretariat of Ecuador. The Hydrocarbons Secretariat of Ecuador 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 has declined in relation to the percentage of GDP of non-petroleum revenues during the 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 petroleum per barrel from U.S.$45 in 2015 to U.S.$34 in 2016. The Esmeraldas refinery underwent a period of preventative maintenance up until the end of 2015. In 2016, the fully-operational Esmeraldas refinery processed larger quantities of refined petroleum, temporarily reducing the average price of petroleum per barrel up to the third quarter of 2016, when the price of petroleum began to increase once more. In contrast, revenues from non-petroleum sources increased in both 2014 and 2015, reaching U.S.$ 23,939 million in 2014 and U.S.$25,942 million in 2015. Both increases were due to increased tax revenues for both years. In 2016, revenues from non-petroleum sources reached U.S.$24,294 million, which is a decrease from the U.S.$25,942 million in 2015. This decrease was due to certain factors including a reduced collection in taxes mainly in specific consumption taxes and value added tax which decreased by 26% and 17% respectively from 2015.

In 2016, Central Government oil revenues represented 2.0% of GDP and 10.8% of Central Government revenues and non-petroleum revenues represented 16.9% of GDP and 89.2% 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 5.5% of GDP and 17.8% of non-financial public sector revenues and non-petroleum revenues represented 24.8% of GDP and 80.1% of non-financial sector revenues. In 2016, Central Government oil revenues reached U.S.$2,003 million, which is a decrease from the U.S.$2,264 million in 2015. This decrease was due to a decrease in the average price of petroleum per barrel from U.S.$45 in 2015 to U.S.$34 in 2016. The Esmeraldas refinery underwent a period of preventative maintenance up until 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 once more. For more information on revenues of the non-financial public sector, see "Public Sector Finances—Non-Financial Public Sector Revenues and Expenditures."

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. For information regarding adjustments to the 2016 Budget see "Public Sector Finances—2015 and 2016 Budgets."

Petroecuador and Petroamazonas are state-owned companies and are legal entities with their own assets and budgetary, financial, economic and administrative autonomy. The Hydrocarbons Secretariat of Ecuador is a Governmental institution under the management of the Ministry of Hydrocarbons, with its own assets and administrative, technical, economic, financial and operational autonomy. It 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.

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 315 ("Decree 315") and decree 314 ("Decree 314") set out the following reforms which clearly define the public sector oil entities' functions as follows:

- the Ministry of Hydrocarbons implements the hydrocarbon policies defined by the Republic's president;
- the Hydrocarbons Secretariat 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.

Under the new framework established by the National Development Plan and the 2008 Constitution, 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,					January - March,
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
Petroleum [(1)]	504	526	557	543	548	534
Public Companies[(2)(3)]	133,656	144,921	157,976	154,308	158,118	38,139
Other operators	50,667	47,198	45,166	43,922	42,593	9,922
Total	**184,323**	**192,119**	**203,142**	**198,230**	**200,711**	**48,061**
Natural Gas Production[(4)]	**15,249**	**18,052**	**20,292**	**17,429**	**18,495**	**4,315**

Source: Petroleum data is based on figures from the Central Bank April 2017 Monthly Bulletin (Table 4.1.1).

(1) Petroleum information is displayed in thousands of bpd.

(2) Petroecuador and Petroamazonas until 2012. After January 1, 2013, only Petroamazonas is involved in petroleum production.

(3) Public company numbers include the production of Rio Napo.

(4) Natural Gas Production information is displayed in millions of cubic feet.

According to the Central Bank's Monthly Bulletin for April 2017, 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 198,230 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.

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. The Shushufindi S.A. consortium, composed of oil field services companies Schlumberger and KKR from the United States and Argentina's Tecpetrol, was awarded the contract for the Shushufindi field. The Pardaliservices S.A. consortium, which comprises of Tecpetrol, Canada's Canacol Energy, Schlumberger and Ecuador's Sertecpet, will work on the Libertador-Atacapi field. These companies will invest more than $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, which will enter into exploration agreements with foreign state-owned oil companies. The first agreement was a joint-venture agreement signed in September 2014 with Chile's Sipetrol S.A. and Belarus' Belorusneft. Under the agreement, Sipetrol S.A. and Belorusneft plan to invest U.S.$400 million to explore and develop a 490,000-acre concession in Block 28 in southeastern Ecuador. Petroamazonas will own a 51% stake in the project, while Sipetrol S.A. and Belorusneft will own 42% and 7%, respectively. The companies plan to conduct exploration beginning in January 2015 for a three-year period and anticipate producing oil from the block for over 15 years. As of the date of this Offering Circular, Ecuador continues 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. Petroamazonas estimates that exploratory block 43 has proven crude oil reserves of approximately 90.1 million barrels and proven, probable and possible crude oil reserves of approximately 635.9 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 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 have announced their opposition to the removal of the moratorium and the Presidential decree authorizing the development of the ITT fields; however, the National Assembly has approved the use of the ITT fields and, as of May 2014, the Environment Ministry has 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. This block is expected to reach full production capacity in six years at a level of approximately 300,000 bpd. As of the date hereof, only platform Tiputini C is in operation, with 19 drilled wells, and is producing over 30,000 bpd. Over 45 domestic companies provide services, supplies and workers to the exploratory block.

In December 2015, Schlumberger, a French oilfield services company, entered into an oilfield servicing contract with Petroamazonas. The 20-year agreement commits Schlumberger to invest U.S.$4.9 billion in production-enhancing measures at Block 61, located in the Ecuadorian Amazon. The primary part of Schlumberger's investment will be spent on improving upstream production. However, the company has also agreed to assume the block's operational costs, which will require an additional investment of U.S.$1.8 billion during the term of the contract.

Exports

Crude oil exports as measured in U.S. dollars steadily increased from 2011 to 2013. 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 petroleum per barrel from U.S.$45 in 2015 to U.S.$34 in 2016. The Esmeraldas refinery underwent a period of preventative maintenance up until 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 once more.

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 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.

Petrochina, a wholly-owned subsidiary of China National Petroleum Corporation ("CNPC"), has made prepayments to Petroecuador in connection with crude oil supply agreements, including an agreement providing for prepayments of U.S.$2 billion executed in August 2013, and Unipec Asia Co., Ltd ("Unipec"), a wholly-owned subsidiary of China Petrochemical Corporation, has also made prepayments to Petroecuador in connection with crude oil supply agreements, including an agreement providing for prepayments of U.S.$2.4 billion, executed in May 2014.

In June 2015, PTT Public Company Limited, a Thai state-owned oil and gas company, executed 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 International, pursuant to which Petroecuador will receive initial prepayments of $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 will receive an initial prepayment of U.S.$300 million shortly after signing for fuel oil to be delivered to OTI during the 30-month term of the contract. 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.

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 390,000 bpd. In 2013, the SOTE transported 131.9 million barrels, averaging 361,568 bpd, an increase of 2.3% compared to 2012. 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.

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, and it is estimated that the oil may have reached the Amazon river and other territories or waters in Peru and Brazil. The Republic is in the process of analyzing the incident and is working closely with the governments of Peru and Brazil to contain any environmental damage that the accident may have caused. The Republic is not aware of any pending or threatened lawsuit or claim arising from this incident.

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

Hydrocarbons) 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 18^{o} to 24^{o} 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.

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 Amazonas) 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 2016, the three main refineries produced 77.1 million barrels of oil derivatives including gasoline, diesel, fuel oil, jet fuel and liquefied petroleum, which represented an increase of 16.5% compared to the 66.2 million barrels of oil derivatives produced in 2015. This increase was caused primarily by the repowering of the Esmeraldas refinery at the end of the preventative maintenance period which upgraded its capacity and improved its processes.

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. It is important to note that Ecuadorian refineries do not produce sufficient oil derivatives to meet internal demand. Ecuadorian refineries meet approximately 60% to 65% of the national 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 156,017 average bpd in 2016. For 2017, an oil derivatives production of 45,731,396 barrels is estimated. As of the date of this Offering Circular, the Esmeraldas refinery is operating at its maximum capacity.

As of the current date, there is no private sector participation in the production of oil derivatives. However, on July 15, 2008, Petroecuador and PDVSA Ecuador formed a new entity called RDP in which Petroecuador is currently the majority shareholder (51%) and PDVSA Ecuador is the minority shareholder (49%). RDP will develop a refinery project with the same name to be built in the municipality of Manta, Manabí Province, with a total nameplate capacity of 300,000 bpd. It is expected that RDP will produce gasoline, diesel, kerosene, polypropylene, benzene, mixed xylene and LPG. The land rights and environmental licenses necessary to develop RDP have already been obtained, and a preliminary detailed feasibility study of the project is complete. The total estimated investment for RDP is approximately U.S.$15 billion. Negotiations are ongoing to provide financing for the project, although no decisions have been made as to whether the project will be financed by debt or equity or a combination of both. In the event RDP is able to obtain financing through debt for this project, it is not clear whether it would be able to do so while remaining within the 40% public debt to GDP limit as further described in "Public Sector Finances – Fiscal Policy." For a description of the risks of the limitation on further borrowing for projects like RDP, see "*Risk Factors—Risk Factors relating to Ecuador—The Republic may incur additional debt beyond what investors may have anticipated of 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 Noteholders.*" Construction has commenced and the project is scheduled to be completed by year-end 2021.

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 Presidential decree 338 ("Decree 338"), which was issued in August 2005, and as subsequently modified. Any future change to the profit margin would require a new Presidential 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.

Several private multinational petroleum companies, including ExxonMobil and PDVSA Ecuador, have established service stations in Ecuador. As of December 31, 2016, Petroecuador maintains a network of 49 service stations of its own and 203 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. Ecuador has approximately 10.9 billion cubic meters of natural gas reserves, which it expects will be sufficient to meet internal demand for the next 20 years.

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 2016, 2015 and 2014 Petroamazonas produced approximately 50.9 msfd, 48.1 msfd and 55.9 msfd of natural gas, respectively, at the Amistad field.

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.

Mining

The mining sector represents an important source of potential resources for the development of the Republic. According to information from MICSE as of April 2017, Ecuador has potential copper reserves valued at approximately U.S.$127 billion, potential gold reserves valued at U.S.$48.9 billion, molybdenum reserves valued at U.S.$5.7 billion, and silver reserves valued at U.S.$3.7 billion. In total, the nation has estimated reserves valued at U.S.$185 billion.

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 (0.35% in 2016, 0.35% in 2015, 0.33% 2014, 0.32% in 2013 and 0.33% in 2012. In 2013, most production from mining was generated by domestic artisan and jeweler businesses. However, 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. Project Mirador is the largest copper project in Ecuador. The copper mine in the Zamora Chinchipe province is expected to begin production in 2018. Project Mirador 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. Ecuacorriente S.A. is planning an investment of approximately U.S.$1,400 million. The expected life cycle of the mine is 27 years from the start of production. The Government estimates that the project will produce 30,000 tonnes of copper per day during the first three years, increasing afterwards to 60,000 tonnes of copper per day. The Republic expects that the project will generate approximately U.S.$3.74 billion in revenue for the Republic. 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 is expected to start operations in 2018. An expected U.S.$1 billion investment will be made over a 13-year period. The gold and silver ore deposit in the Zamora Chinchipe Province is expected to begin construction in the second half of 2017. Benefits to the Republic considering current metal prices amount to U.S.$900 million. The Rio Blanco project is a gold and silver mining project located in the Azuay Province which began construction in August 2016 and is expected to being operations in the second half of 2017. An expected U.S.$88,825,115 million investment will be made over an 11-year period. Benefits to the Republic considering current metal prices amount to U.S.$284 million. The Loma Larga and San Carlos Panantza projects, also in advanced stages of completion, are expected to receive an investment of approximately U.S.$3,700 million. Other projects, mostly in the south of the country, are in different stages of negotiation and completion.

Electricity and Water

As of 2006, hydroelectric plants supplied approximately 53% of the power in Ecuador. As of 2015, hydroelectric plants supplied 58% of the power in Ecuador. By year-end 2016, hydroelectric plants generated 66% of the power in Ecuador. By 2017, hydroelectric plants are expected to generate 90% of the power in Ecuador. 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, thereby 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 is expected to generate an average of 8.73 GWh per year and 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.

The plant is set 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 will join 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. Many of these hydroelectric projects are financed through agreements with bilateral lenders, including the 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.

The construction of these hydroelectric plants is due to an enhanced effort by the Government to invest in the sector. In 2016, the Government invested U.S.$1,348 million in the electricity sector, a 17% increase from 2012, when the Government invested U.S.$1,148 million in the sector. 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.

In March 2014, Correa announced a new program to substitute electricity use for gas use. Under this program, beginning in November 2014, the Government began to sell subsidized stoves to replace gas stoves. 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.

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, *Secretaria 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 2016, the electric and water sectors contributed a total of U.S.$1,804 million to GDP, an increase compared to U.S.$1,557 million in 2015. Since 2012, the sectors represent an average of approximately 1.4% of GDP per year.

Telecommunications

In 2007, only 8.47% of the Ecuadorian population was connected to the Internet. Under former President Correa's administration, the average percentage of Internet users increased to 108.7% per every 100 inhabitants as of March 2016. Similarly, 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 2012, the telecommunications sector accounted for U.S.$1,914 million of GDP. This amount increased steadily through 2014, when the telecommunication sector accounted for U.S.$2,171 million of GDP to then decrease in 2015, when the telecommunications sector accounted for U.S.$2,039 million. In 2016, the telecommunications sector decreased again and accounted for U.S.$1,845 million. From 2012 through 2016, the telecommunications sector represented an average of approximately 2.07% 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 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. For more information on the Telecommunications Law, see "The Ecuadorian Economy—Economic and Social Policies—Telecommunications Law."

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. Ecuador also exports significant amounts of coffee, flowers, and cacao. The agricultural sector constituted an average of 8.01% of GDP per year for the years 2012 through 2016. In 2016, the agricultural sector represented 8.62% of GDP, an increase compared to 8.44% in 2015.

Between 2012 and 2016, the volume of Ecuador's banana exports increased by 21.8%. In 2012, the value of Ecuador's banana exports decreased by 7.5%, primarily as a result of difficult growing conditions for that year. However, the value of these exports increased by 11.8% in 2013 when growing conditions returned to normal and 10.9% and 9.0% in 2014 and 2015, respectively. 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.

Ecuador also exports significant amounts of cacao. In 2012, cacao exports were U.S.$345 million. Exports increased to U.S.$423 million in 2013 when growing conditions returned to normal. With continued normal growing conditions, cacao exports reached U.S.$576 million in 2014 and increased to U.S.$693 million in 2015. In 2016, cacao exports reached U.S.$621 million, a 10.4% 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.

Flowers and flower products are among one of the newest, but fastest growing exports for Ecuador, making up 4.8% of Ecuador's total exports in 2016. Flower exports were U.S.$714 million in 2012, U.S.$830 million in 2013 and U.S.$918 million in 2014. In 2015, flower exports decreased by 12% to U.S.$820 million primarily as a result of the strengthening of the dollar which made Ecuador's flowers more expensive compared to Colombian flowers. 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.

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.

The amount of shrimp exports steadily rose in the period from 2011 to 2014, growing from U.S.$1,178 million in 2011 and reaching U.S.$2,513 million in 2014. In 2015, shrimp exports totaled U.S.$2,280 million, a 9.3% decrease from 2014. This decrease is due to the phenomenon of El Niño, which took place in 2015, as well as a decrease in exports to Asia. 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. Fishing exports, other than shrimp, decreased from U.S.$324 million in 2012 to U.S.$244 million in 2016. In 2016, fishing exports decreased by 5.4% from U.S.$258 million in 2015. This decrease is due to the impact of the phenomenon of el Niño in the Ecuadorian coast which reduced the supply and raised prices.

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 12.21%, 12.59%, 13.57%, 13.79% and 13.93% to the GDP, per year for the years 2012, 2013, 2014, 2015 and 2016, respectively.

Ecuador's main manufactured, non-petroleum exports are canned seafood, automobile assembly, processed cocoa, and processed coffee. The manufacturing sector has grown an average of 10.27% per year between 2011 and 2015. During 2012, 2013 and 2014, manufacturing grew by 11.1%, 11.5%, and 15.9%, respectively. In 2015, manufacturing decreased by 0.5%, reaching U.S.$13,815 million. In 2016, manufacturing decreased by 1.4% reaching U.S.$13,628 million. The decrease in growth of the manufacturing sector was due to the general slowdown of the economy in Ecuador for those periods.

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. For more information, see "Balance of Payments and Foreign Trade -

Foreign Trade -Trade Policy." By the end of 2016, 16.9% of Ecuador's non-petroleum exports were sold in the European Union.

Construction

The construction sector accounted for 10.63% of GDP in 2014, 10.53% of GDP in 2013 and 10.67% in 2012. In 2016, the construction sector accounted for 9.64% of GDP, compared to 10.70% of GDP in 2015. In 2015, construction activity decreased by 1.7% in real terms compared with 2014. In 2014, construction activity grew by 7.2%, compared to 7.4% in 2013 and 12.2% in 2012. These decreases in construction activity were due to a decrease in residential and non-residential buildings as well as a decrease in civil engineering projects. In 2016, construction activity decreased by 8.9% 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.

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 expected to be completed in 2028. Yachay is a 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 China Exim Bank to finance the first phase of Yachay.

Tourism

Ecuador's tourism industry grew steadily from 2012 to 2014, slightly decreasing in 2015 and again in 2016. In 2012, 1.27 million tourists visited the country, 1.36 million in 2013, 1.56 million in 2014, 1.54 million in 2015 and 1.41 million in 2016. 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 steady increase in tourism from 2012 to 2014 was largely due to promotional campaigns instituted by the Ministry of Tourism. In 2010, the "Ecuador loves life" campaign was launched in England, Germany, France and the United States. A second campaign, the "I discovered" campaign, was launched in 2011, and a third campaign, the "All you need is Ecuador" campaign, was launched in 2014. As part of this campaign, Ecuador became the first government to advertise during the Super Bowl, airing a thirty second spot during the 2015 event. The Ministry also provides financing and logistics advice to local businesses that cater to tourists such as tours and adventure companies. The decrease in tourism from 2015 to 2016 was due to the Pedernales Earthquake. 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 U.S.$22.7 million while being used as the provisional budget for 2017.

Transportation

In 2015, the Government invested a total of U.S.$1,119 million in roads and highways, a decrease of 20% from the previous year, when total investment was U.S.$1,400 million. 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.

Two recent significant projects have recently been financed along with the municipality of Quito. 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 March 29, 2017, 23% of construction of the subway system in Quito has been completed. This metro system is expected to connect the northern business and resident areas of Quito to Quito's historic city center. The project is budgeted to cost U.S.$1,680 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, a U.S.$259 million loan from the European Investment bank, which was increased by U.S.$44,152,000 in November 2016 , a U.S.$200 million loan from the IDB and a U.S.$200 million loan 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 executed 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 has increased from U.S.$318 for 2013 to U.S.$375 for 2017. The announcement of the minimum wage applicable for 2017 was made in December of 2016 and was set at U.S.$375 per month. Public sector employee wages are based on the wage scale determined by the *Ministerio de Relaciones Laborales* ("Ministry of Labor Relations"). The following table shows the increase in minimum wage from 2012 to 2017.

Monthly Minimum Wage (1)
(in U.S.$)

2012	**2013**	**2014**	**2015**	**2016**	**2017**
292	318	340	354	366	375

Source: Ministry of Labor Relations.

(1) Minimum wages set at the beginning of each year.

Private employee salaries received a boost with the introduction of the "Living Wage" into the Labor Law. Enacted in December 2010, this law dictates that any company that generates a profit shall 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)

	2012	**2013**	**2014**	**2015**	**2016**	**March 2017**
Total Population[(1)]	15,520	15,775	16,027	16,279	16,529	16,738
Labor Force [(2)]	10,864	11,200	11,159	11,399	11,696	11,726
Labor Force Participation [(3)]	6,701	6,953	7,195	7,499	7,874	8,084
Labor Force Participation Rate	61.68%	62.08%	64.47%	65.78%	67.32%	68.9%
Employed Labor Force	6,425	6,664	6,921	7,141	7,464	7,729
Unemployed Labor Force	276	289	273	357	410	355
Unemployment Rate [(4)]	4.12%	4.15%	3.80%	4.77%	5.20%	4.4%

Source: *Based on figures from INEC as of March 2017.*

(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 Labor Relations 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 2012 to 2016, the unemployment rate increased by 1.08%. Underemployment, or individuals who are unable to obtain full-time work to receive a salary meeting the official minimum wage, decreased from 49.29% to 48.09% during this time as well but increased to 53.39% as of 2016. In 2013, unemployment increased slightly to 4.15% from 4.12% in 2012, decreasing to 3.80% in 2014 due to increased job creation in the services and commerce industries. In 2015, the unemployment rate increased to 4.77% due to a general slowdown of the economy in 2015 that led to job losses in both the private and public sectors. The rate of unemployment increased to 5.20% as of December, 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 from 5.7% as of March 31, 2016 to 4.4% as of March 31, 2017.

The rate of individuals who are unable to obtain full-time work to receive a salary meeting the official minimum wage, or underemployment, increased from 47.15% in 2012 to 47.77% in 2013, then decreased to 46.69% in 2014 but increased in 2015 to 48.09% and increased again in 2016 to 53.39%.

The sectors that registered the greatest reduction in employment in the period from 2011 to 2015 were the agriculture sector with 2.89%, and the commerce sector with 1.52%. The labor force participation rate of the Ecuadorian economy increased by an aggregate of 5.64% from 2012 to 2016 and unemployment increased by 1.08% for that same period. Underemployment increased by 6.24% in the same time period.

The following table sets forth information regarding the unemployment and underemployment rates, and real minimum wages for the periods presented:

Wage and Unemployment

	For the Year ended December 31,					As of March 31,
	2012	2013	2014	2015	2016	2017
Unemployment rate (% of economically active population)[1]	4.12	4.15	3.80	4.77	5.20	4.4
Underemployment rate (% of economically active population)[2]	47.15	47.77	46.69	48.09	53.39	57.0

Source: Based on figures from INEC as of March 2016.

(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 and rural poverty. The urban poverty rate decreased from 16.1% to 15.7% between 2012 and 2016, while the rural poverty rate decreased from 49.1% to 38.2% across the same time frame. Extreme poverty rates have also decreased, from 5.0% of all urban households in 2012 to 4.4% of all urban households in 2016, and from 23.3% of all rural households in 2012 to 17.6% of all rural households in 2016. At the same time, the total extreme poverty rate decreased from 11.2% in 2012 to 8.7% in 2016. As such, in spite of the general economic conditions in 2016 due to the Pedernales earthquake, the income for households in extreme poverty has not been affected mainly as a result of an increase in the number of household members receiving income.

The Republic believes this decrease in poverty is partially the result of a significant expansion of the *bono de desarrollo humano* ("BDH"), a cash transfer program for those in the lower 40% of income distribution who are either mothers of children under the age of 16, above the age of 65, or disabled. Currently, the BDH transfers U.S.$50 a month to qualifying individuals.

The following table shows the percentage of households in poverty for the periods indicated.

Percentage of Households in Poverty

	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 2012	16.1	49.1	27.3	5.0	23.3	11.2	19.5	70.8	36.8
December 2013	17.6	42.0	25.6	4.4	17.4	8.6	25.7	65.7	38.7
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	4.4	17.6	8.7	22.3	52.6	32.0

Source: Based on figures from INEC as of December 2016.

(1) Persons whose income is below the poverty line. As of December 31, 2016, the poverty line, as determined by Ecuador, is U.S.$84.68/month, per person.

(2) As of December 31, 2016, the extreme poverty line is U.S.$47.22/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 IESS, as well as by the *Instituto de Seguridad Social de las Fuerzas Armadas* and the *Instituto de Seguridad Social de la Policía Naciónal* (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 2016 was U.S.$183.

Retirees benefit from the IESS system once they have left employment. As of December 2015, IESS, ISSFA and ISSPOL had 9.2 million, 1.1 million and 0.2 million beneficiaries, respectively. In 2016, total non-financial public sector contributions to social security were U.S.$4.7 million, or 4.8% of GDP, a decrease from U.S.$5.0 million, or 5.0% of GDP in 2015. In 2015, IESS's beneficiaries included 3.1 million affiliates, 0.4 million pensioners, 4.4 million dependents, 1.1 million people covered through rural social security and 0.03 million people that receive benefits related to work related risks. For 2016, IESS's expenditures totaled approximately U.S.$6.3 billion.

Under Article 372 of the 2008 Constitution, the 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 April 30, 2017, BIESS is the largest holder of Government securities, with 43.1% of its portfolio investment, or U.S.$7,483 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 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.

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 education initiatives. Education initiatives include the continued 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 2016 budget for education was modified to U.S.$5.0 billion while being used as the provisional budget for 2017.

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. 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.

Occidental **-** *Breach of Contract Claim*

In May 1999, Petroecuador and Occidental Exploration and Production Company ("Occidental") entered into a participation agreement for the exploration and exploitation of hydrocarbons in Block 15, in the Oriente region. On September 15, 2004, Petroecuador sent Occidental a notice of breach alleging various grounds for forfeiture of the participation agreement, including the unauthorized assignment of 40% of Occidental's rights and obligations thereunder to Canadian oil company Encana. Block 15 is one of Ecuador's most productive oil fields. In May 2006, the Ministry of Energy and Mines declared the participation agreement with Occidental to be terminated due to its alleged breach of the Hydrocarbons Law. As a result, all of Occidental's assets were transferred to the Republic. In May 2006, Occidental filed a claim before the ICSID against Ecuador in an amount of U.S.$3.3 billion, claiming that the termination of the participation agreement constituted the "equivalent of expropriation," in violation of the U.S.-Ecuador Bilateral Investment Treaty, and that the forfeiture of the participation agreement was litigated for political reasons rather than due to an illegal assignment.

On October 5, 2012, the ICSID arbitral panel issued an arbitral award in favor of Occidental in the amount of U.S.$1.7 billion, plus interest, but it also found that Occidental's assignment to Encana was made in violation of Ecuadorian law. The arbitral panel calculated the amount based on the full value of the contract, with a reduction of 25% due to such violation. On October 9, 2012, Ecuador filed a petition for a stay of the enforcement of the arbitral award until an annulment procedure could be carried out. The petition was registered with ICSID on October 11, 2012. On January 18, 2013, ICSID appointed an *ad hoc* panel to resolve the petition for the stay and consider a petition for annulment. The first meeting of the panel took place on March 25, 2013. On May 13, 2013, the panel met to consider a February 13, 2013 petition by Occidental to lift the currently effective stay of the arbitral award. In a September 30, 2013 decision, the panel ratified the stay of the award and held that it should continue unconditionally.

On August 12, 2013, Ecuador submitted its brief of annulment. On October 18, 2013, Occidental presented its response, arguing that there was no basis for an annulment. Ecuador presented its reply on January 6, 2014 and Occidental submitted its rejoinder on February 28, 2014. The hearing concerning annulment took place between April 7 and April 10, 2014.

On November 2, 2015, the ad hoc panel partially annulled the October 5, 2012 arbitral award, finding that the unauthorized assignment of 40% of Occidental's rights under the participation agreement was made in violation of Ecuadorian law and therefore limited the arbitration award to U.S.$1.06 billion, plus interest. Subsequent to this finding, on November 4, 2015, the U.S. District Court for the Southern District of New York issued an order, at the petition of Occidental, recognizing the award as a final judgment of the court.

In January 2016, Ecuador and Occidental entered into a settlement agreement. As a result, no further actions have been taken in court proceedings in New York to enforce the award. In the settlement agreement, Ecuador agreed to pay a total of U.S.$980 million to Occidental in a series of installments. In June 2016, Ecuador paid the final installment to Occidental. Occidental agreed to release all claims and accept such payments as a final settlement of all amounts payable pursuant to the arbitral award.

Chevron

In 2006, Chevron brought arbitration proceedings against the Republic under the arbitration rules of the UNCITRAL 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. The tribunal accepted the position of Ecuador that any amount received by Chevron should be subject to the payment of a tax at a rate of 87.31% (the preliminary arbitral award was approximately U.S.$700 million) and deducted the tax amount due to Ecuador from the preliminary arbitral award of U.S.$700 million. Consequently, Ecuador filed a petition to annul the arbitral award before the District Court of The Hague, which was denied on May 2, 2012. Ecuador presented an appeal to the District Court decision, and on May 13, 2013, the Appellate Court of The Hague heard the arguments of the parties on appeal and rejected Ecuador's appeal on June 19, 2013. In September 18, 2013, Ecuador presented an appeal to the Supreme Court of the Netherlands, which held hearings on February 28, 2014 and denied Ecuador's appeal on September 26, 2014.

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 March 25, 2013, Ecuador filed its brief in opposition with the court, and on April 25, 2013, Chevron filed its response. On June 6, 2013 the District Court confirmed the award in favor of Chevron. Ecuador filed an appeal on July 1, 2013, to which Chevron filed an opposition brief on August 19, 2013.

On September 6, 2013, because Ecuador did not have substantial assets in the District of Columbia, Chevron filed a motion to enable it to register the district court award "in any other district" in the United States. Ecuador objected, arguing that Chevron should be permitted to register the award only in "those districts for which Chevron has provided sufficient evidence that Ecuador has substantial assets." On October 29, 2013, the District Court of the District of Columbia granted Chevron's motion to register the award in any other district. On June 11, 2014, Ecuador appealed the District Court decision. Chevron filed a response to this appeal on July 18, 2014 and Ecuador filed a reply on August 8, 2014. On August 4, 2015, the United States Court of Appeals for the District of Columbia Circuit affirmed the District Court decision. On February 25, 2016, Ecuador filed a petition for a writ of certiorari requesting that the United States Supreme Court review the decision of the Court of Appeals. On June 6, 2016, the United States Supreme Court denied the Republic's writ of certiorari.

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. On January 25, 2012, the arbitral tribunal issued an interim award that ordered Ecuador to take all available measures to suspend the enforcement or recognition of the claims in the Lago Agrio case in Ecuador and abroad. On February 16, 2012, the tribunal issued a second interim award ordering Chevron to compensate Ecuador for the costs Ecuador incurs in performance of its obligations under the interim awards, and ordered Chevron to post a bond in the amount of U.S.$50 million to secure payment of the same. The plaintiffs for the Lago Agrio case, in November 2012, obtained the seizure of certain bank accounts of Chevron in Argentina and the seizure of Chevron's interests in its Argentine subsidiaries. On June 5, 2013, this seizure was revoked. In a third interim award dated February 27, 2012, the arbitral tribunal held that it had jurisdiction to hear the claim. In a fourth interim award dated February 7, 2013, the arbitral tribunal resolved that Ecuador has not complied with the decisions from the previous awards, and that each party shall argue whether Ecuador must reimburse Chevron for any expenses related to the enforcement proceedings.

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."

According to the arbitral tribunal, the 1995 Settlement bars claims that Ecuador might raise in the exercise of their own rights, but does not bar claims by third parties acting independently from the state in the exercise of their individual rights. It also held that the 1995 Settlement did not contain an indemnity provision that required the Republic to be held liable for any costs or any judgment rendered against Chevron. However, the arbitral tribunal held that Chevron was a "released party" under the 1995 Settlement. The arbitration tribunal did not decide on the claims of breach of the 1995 Settlement. In response, on January 7, 2014, Ecuador filed a writ of summons in the District Court of the Hague requesting an order setting aside the September 17, 2013 partial award and of the previous interim awards. The District Court of the Hague held a hearing regarding Ecuador's writ of summons on November 2015 and rejected Ecuador's request in a decision issued on January 20, 2016. On April 20, 2016, Ecuador presented its petition for appeal. It presented its memorial on August 16, 2016. On October 11, 2016, Chevron submitted its response. A hearing regarding Ecuador's request to set aside the partial award and the previous interim awards was held on May 9, 2017. The tribunal has not yet issued a decision.

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 May 9, 2014, Chevron submitted a supplemental brief regarding the Track 2 issue of the alleged violations of the Ecuador-US Bilateral Investment Treaty, explaining the relevance of certain prehearing exhibits.

On November 7, 2014, Ecuador filed a written response to Chevron's supplemental brief on Track 2, to which Chevron replied on January 14, 2015. Ecuador in turn filed a supplemental rejoinder brief on March 17, 2015. A telephone conference regarding procedural matters took place on March 27, 2015. Hearings on the Track 2 issues relating to the supplemental briefs took place in Washington, D.C. from April 21 to May 8, 2015. The result of the Track 2 hearing is pending. The parties submitted briefs on the final report of a forensic computer expert on August 12, 2016 and August 26, 2016 and presented their positions on the relevance of the August 8, 2016 decision of the Southern District of New York Court of Appeals on the RICO action: Chevron v. Donziger *et. al.* on August 16, 2016 and August 18, 2016. On August 29, 2016, the arbitral tribunal issued an order concluding that the legal issues presented before it and those presented in the August 8 decision of the Southern District of New York Court of Appeals are materially different. Accordingly, due to lack of sufficient privity under international law, the arbitral tribunal held that there can be no issue estoppel or *res judicata* applicable before it arising from the outcome of the U.S. legal proceedings. The tribunal has indicated that it will issue a decision with respect to Track 2 after the submission of such briefs. The tribunal has not yet issued a decision.

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:

Burlington Resources, Inc.

Burlington filed an arbitration claim before ICSID in April 2008 against Ecuador, seeking compensation for alleged modifications to its contracts for the development of Blocks 7 and 21 in Ecuador imposed by Ecuadorian law 42-2006. Burlington argued that such unilateral modification resulted in an expropriation of the blocks that Burlington was operating, although, subsequent to the commencement of the proceedings, Burlington withdrew the contractual claims and based all claims solely on violations of the U.S.-Ecuador Bilateral Investment Treaty. On September 30, 2011, Ecuador filed two counterclaims against Burlington for environmental damage and failure to maintain the facilities of Blocks 7 and 21, in an approximate amount of U.S.$2 billion. On December 14, 2012, the tribunal decided the liability issue in favor of Burlington and consequently, on January 28, 2013, Ecuador submitted a petition for reconsideration. The arbitral tribunal was scheduled to meet for a hearing on damages and Ecuador's counterclaims in August 2013, but the hearings were suspended due to the request by Ecuador that one of the arbitrators recuse himself from the decision because of a conflict of interest. Burlington presented its assessment of damages memorandum on June 24, 2013, to which Ecuador responded on May 23, 2014.

The tribunal held a hearing regarding damages from March 2 to March 6, 2015 in Paris, after which both parties presented their post-hearing briefs on May 29, 2015. On February 7, 2017, the arbitral tribunal rendered its decision. The tribunal rejected the amount of U.S.$1,515,603,095 claimed by Burlington and instead awarded Burlington U.S.$379,802,267 plus interest. The tribunal also accepted Ecuador's counterclaims holding Burlington responsible for U.S.$41,776,992.77 for the costs of environmental damage and failure to repair the facilities of Blocks 7 and 21.

On February 10, 2017, Burlington commenced a petition for recognition of the award in the District Court for the Southern District of New York. Similar actions have been initiated in Washington DC and the United Kingdom. On February 10, 2017, the clerk of court for the Southern District of New York granted the petition to recognize the award totaling U.S.$379,802,267, and additional pre-award and post-award interest. Shortly thereafter, Ecuador and Burlington agreed to suspend any proceedings for recognition of awards and the enforcement of payment obligations until the ICSID Annulment Committee renders its decision regarding the suspension of execution of the awards. Accordingly, the Southern District of New York and the U.S. District Court for the District of Columbia stayed all proceedings related to the enforcement of the judgment based on the parties' stipulation pending the ICSID's decision regarding the annulment of the award.

On February 13, 2017, Ecuador presented a request to set aside the arbitral decision as well as the decision on the counterclaims claiming that they are both defective under the ICSID convention. Together with this petition, Ecuador requested the suspension of the arbitral decision. On February 14, 2017, the ICSID granted the suspension of the execution of the arbitral award against Ecuador. Also, on February 14, 2017, Ecuador filed an application for annulment of the award rendered against it with respect to the arbitral tribunal's decision on February 7, 2017, decision. On May 15, 2017, the arbitral tribunal's Annulment Committee was constituted, which will be in charge of ruling on Burlington's petition to lift the suspension of the execution of the arbitral award against Ecuador and Ecuador's petition for the annulment of the award rendered against it on February 7, 2017. The schedule of upcoming proceedings, including dates for hearings, remains pending.

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 July 18, 2014, the tribunal decided the claim in favor of Perenco and considered the schedule for the assessment of damages. The hearing for the assessment of damages took place from November 9, 2015 to November 13, 2015 in Paris. On April 21, 2016, the parties presented their final arguments. The decision on the assessment of damages is pending.

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 March 13, 2013, the parties presented their respective memoranda to the arbitral tribunal. Hearings took place from September 9 to September 17, 2013. 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 but has not released any findings yet. The independent environmental expert will return to Ecuador in 2017.

Murphy Ecuador Oil Company, Ltd.

Murphy Ecuador Oil Company, Ltd. ("Murphy") has claimed that law 42-2006 modified its contracts for exploration and production of crude oil in Ecuador, resulting in an expropriation and a violation of the U.S.-Ecuador Bilateral Investment Treaty. Murphy filed its ICSID arbitral claim against Ecuador on September 30, 2011. In November 2013, the arbitral tribunal rejected Ecuador's objection to jurisdiction. Ecuador submitted its response to merits and jurisdiction to the arbitral tribunal on May 4, 2014. Hearings on the matter took place during November 17-21, 2014 in Washington, D.C. The post-hearing briefs were submitted by both parties on January 9, 2015. At the request of the arbitral tribunal, both parties submitted their briefs regarding costs on January 15, 2016. A partial final award against Ecuador was rendered on May 6, 2016, ordering the payment of U.S.$19 million in damages and the arbitration cost of 5 million Euros. The tribunal also held that the parties must submit their calculation of the fair market value of Murphy's property in Ecuador for the tribunal's consideration. On July 29, 2016, the parties in the case of Murphy Ecuador Oil Company, Ltd. presented their briefs on the fair market value of Murphy's property in Ecuador. The tribunal informed the parties that no additional briefs may be submitted and that it will issue its decision in September 2016. On February 10, 2017, the arbitral tribunal issued its final decision confirming its May 2016 decision from the partial final award rendered in May 2016. In the same decision, the tribunal determined that the market value of Murphy is zero. As a result, Ecuador must pay U.S.$19.7 million in addition to U.S.$7 million in interests. At the same time, the tribunal rejected Murphy's attempt to obtain an additional indemnity for breach of the bilateral investment treaty clause for which it was requesting compensation of up to U.S.$187 million. On May 16, 2017, Ecuador filed a petition before the District Court of The Hague requesting the annulment of the arbitral tribunal's final decision with respect to the partial final award in favor of Murphy.

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 U.S. federal 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 federal court judge granted summary judgment against Ecuador. On August 28, 2013, Ecuador filed for appeal in the U.S. Court of Appeals for the Third Circuit. On July 2, 2014, the Third Circuit ruled in favor of Ecuador, reversing the federal court's decision and finding the defendants liable for the losses of Filanbanco S.A. The defendants petitioned the Third Circuit for a hearing to review the July 2, 2014 decision, which the Third Circuit rejected. On August 6, 2014, the defendants submitted their brief in support of their petition, which was denied by the Third Circuit court on September 16, 2014.

Upon remand, the federal court, in an October 15, 2015 decision, held that the ten-year statute of limitations on the action had expired. On November 12, 2015, Ecuador notified the federal court that it would appeal this decision. On November 16, 2015, the defendants filed a motion for costs and fees. On January 11, 2016, the federal court issued an order deferring the decision regarding costs and fees until after the appeal is decided. Ecuador presented its motion to appeal on March 11, 2016. The defendants presented their response to Ecuador's appeal on October 8, 2016. Ecuador filed its brief in response on January 6, 2017. The court of Appeals held the hearing on April 3, 2017. The final decision is pending.

Copper Mesa

On January 21, 2011, Ecuador was notified of an arbitration proceeding by Copper Mesa for a breach of the Canada-Ecuador Bilateral Investment Treaty based on the termination of the Junin, Chaucha and Telinbela concessions. Copper Mesa claimed indemnification for no less than U.S.$120 million. Hearings to determine jurisdiction were held in September 2013. The proceedings were concluded on March 12, 2014.

On March 15, 2016 the arbitration tribunal concluded that Ecuador breached the Canada-Ecuador Bilateral Investment Treaty by expropriating certain assets of Copper's Mesa in Ecuador. The arbitration tribunal, however, reduced the total indemnification owed to Copper Mesa to U.S.$11,184,595 for the Junin concession and U.S.$8,262,899 for the Chauca concession. The arbitration tribunal rejected Copper Mesa's argument regarding the Telinbela concession.

On June 16, 2016, Ecuador filed its request to set aside the arbitral tribunal's grant of the indemnification award to Copper Mesa. On February 22, 2017, Copper Mesa filed its response to Ecuador's request to set aside the indemnification award and Ecuador filed its reply on May 23, 2017. A date for the hearing and rejoinder has not been set yet. On March 3, 2017, Copper Mesa filed a petition in the U.S. District Court for the District of Columbia for recognition of the arbitration award.

Zamora Gold

On July 7, 2011, Ecuador was notified of an arbitration proceeding for allegedly depriving Zamora Gold of its investments in violation of the Canada-Ecuador Bilateral Investment Treaty. Since then, the plaintiff has not taken further action. The amount of the claim has not yet been determined.

RSM Production Corporation

On May 13, 2010, Ecuador was notified of an arbitration proceeding for allegedly cancelling a mining license held by RSM Production Corporation in violation of the U.S.-Ecuador Bilateral Investment Treaty. Since then, there has not been further action by the plaintiff. The amount of the claim has not yet been determined.

Merck Sharp & Dohme

On February 2, 2011, Merck Sharp & Dohme ("Merck") filed a claim against Ecuador alleging denial of justice for not having provided judicial guarantees in a judgment initiated against Merck by the Ecuadorian company NIFA S.A. (currently "PROPHAR, S.A.") in violation of the U.S.-Ecuador Bilateral Investment Treaty.

On February 5, 2016, Merck filed a petition requesting that the arbitration tribunal set forth certain measures to protect Merck from an unjust final judgment in Ecuador. On May 7, 2016, the arbitration tribunal accepted Merck's petition and ordered Ecuador to guarantee that no final judgment will be enforceable in Ecuador until the arbitration tribunal issues its final decision on the matter.

On August 4, 2016, the National Court of Justice ordered Merck to pay U.S.$42 million with respect to the 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. Resolution of the Ecuadorian Constitutional Court is pending. On November 16, 2016, the parties presented their post-hearing briefs. On December 2, 2016, the parties presented comments to their post-hearing briefs.

Hutchison Port Investments Ltd

In 2012, the Manta Port Authority (the "APM") represented by the 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 executed 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. APM has initiated proceedings in various jurisdictions for the execution of the award. APM initiated proceedings for the execution of the award in the British Virgin Islands. Hutchison has not presented its objections yet.

On March 16, 2017, before the *Sala Cuarta de la Corte Suprema de Justicia* the APM presented its opposition to the annulment petition by Hutchison in Panama on December 30, 2015 against the award in favor of APM.

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") ("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. Both parties disagree with JCD's 22 decisions. The EPC Contract allows for the parties to appeal these decisions in the International Chamber of Commerce by sending a notification of disagreement within 20 days after the JCD's decision. Arbitration is being considered.

Arch Trading Corp.

On June 26, 2013, Arch Trading Corp. and four other media companies filed a claim against the Republic of Ecuador and two other governmental entities for the alleged seizure of over 200 companies owned by the plaintiffs. The plaintiffs allege that they suffered damages exceeding U.S.$1 billion dollars and request monetary damages plus interest and attorney's fees.

Ecuador was served with notice on March 20, 2014. Ecuador filed a motion to vacate with the U.S. District Court for the Southern District of New York on July 3, 2014. Hearings took place on July 31, 2014. On September 5, 2014, Ecuador filed a motion to vacate on the basis of jurisdictional objections, which was granted by the U.S. District Court on May 29, 2015. Arch Trading filed its motion to appeal on August 26, 2015 to which Ecuador presented its reply on September 23, 2015. On January 5, 2016, the Court of Appeals held a hearing regarding Arch Trading's motion to appeal. On October 14, 2016, the Court of Appeals rejected the appeal, affirming the decision of the lower court. Arch Trading Corp. did not take any further action.

Ecuador TLC, Cayman International, and Teikoku Oil

On February 26, 2014, Ecuador TLC, Cayman International, and Teikoku Oil filed a breach of contract arbitration claim against Ecuador in the Permanent Court of Arbitration in the Hague for an amount of U.S.$808.3 million plus interest. The claim is in connection with an oil-field exploration contract that was terminated by Ecuador because the plaintiffs did not agree to the new renegotiated terms. See "The Ecuadorian Economy—Economic and Social Policies—Renegotiation of Oil Field Contracts." Ecuador presented its response brief on March 21, 2016 and Ecuador TLC presented its response on June 20, 2016. From January 24, 2017 to January 28, 2017, the Court held a hearing regarding Ecuador TLC's breach of contract claim in Washington D.C. The parties presented their submissions on March 3 and on May 5. The parties presented their submission on costs on May 29. The final decision is pending.

GMO Trust

On December 12, 2014, GMO Trust issued proceedings against the Republic in respect of an alleged U.S.$15,876,000 holding of the 2030 Bonds. GMO voluntarily withdrew its complaint pursuant to a settlement agreement between the parties. A stipulation dismissing the complaint was filed on March 16, 2015; under that stipulation, the case cannot be re-filed.

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 the 2030 Bonds in the United States District Court for the Southern District of New York. Ecuador was served with a notification of the claim on September 16, 2015. On January 15, 2016, Ecuador filed a motion to dismiss. On September 30, 2016, the United States District Court for the Southern District of New York granted Ecuador's January 15, 2016 motion to dismiss the Penades complaint and ordered the case closed. On October 27, 2016, Mr. Penades filed a notice of appeal with the Southern District of New York to the United States Court of Appeals for the Second Circuit. Thereafter, Mr. Penades duly filed the required standard forms to initiate the new appeal case.

On November 29, 2016 the United States Court of Appeals for the Second Circuit issued a notice stating that the appeal had been assigned to the Court's Expedited Appeals Calendar. On January 3, 2017, Mr. Penades submitted a brief in support of his position. Ecuador filed its brief in response on February 7, 2017. On February 7, 2017, Mr. Penades filed a motion requesting a time extension to file his reply brief by March 8, 2017. On February 8, 2017, the United States Court of Appeals for the Second Circuit granted Mr. Penades' motion. On February 23, 2017, the United States Court of Appeals for the Second Circuit scheduled the case for the week commencing on May 1, 2017. On March 8, 2017, Mr. Penades filed his reply brief. On May 5, 2017, the case was submitted to the United States Court of Appeals for the Second Circuit for review. On May 17, 2017, the United States Court of Appeals for the Second Circuit entered a summary order affirming the judgment of the United States District Court for the Southern District of New York, granting Ecuador's motion to dismiss Mr. Penades' complaint.

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. PGE 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. Resolution of the dispute is pending.

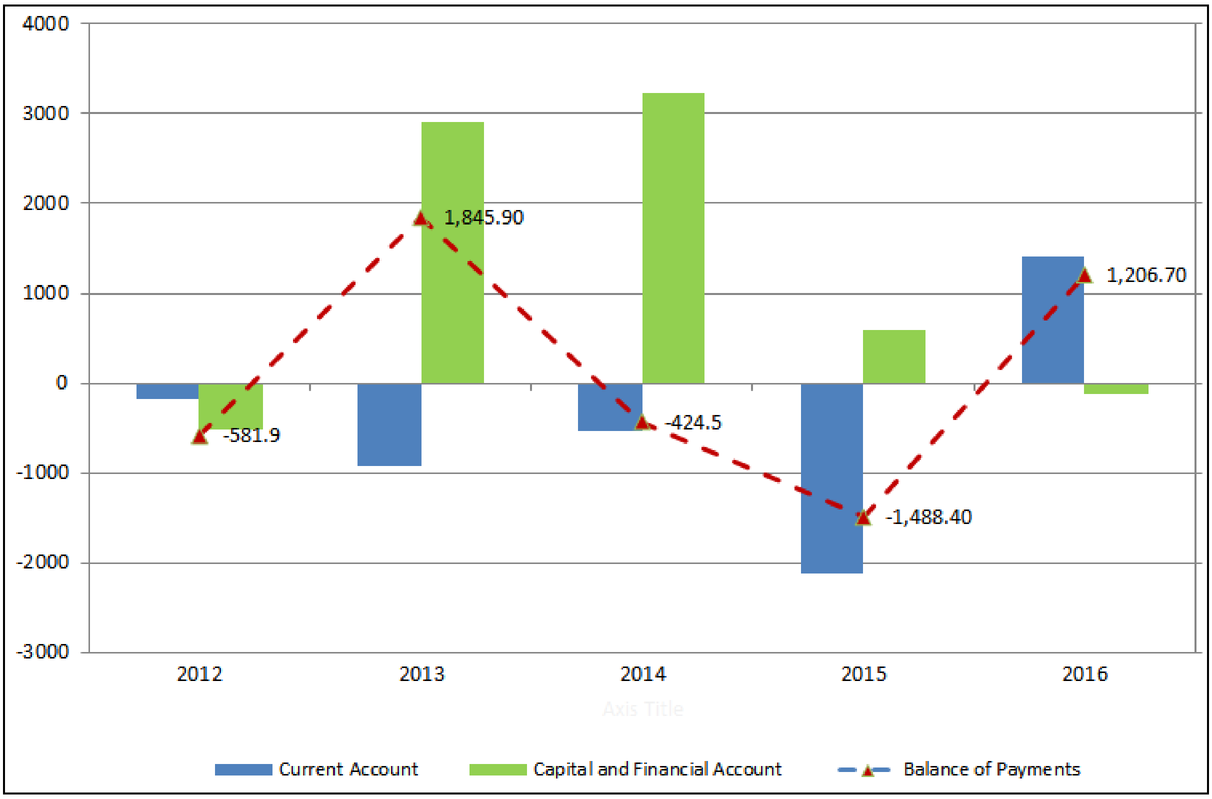
Ecudos – Corporación Azucarera Ecuatoriana Coázucar v. Caribbean Financial International Corporation – CFI

On August 8, 2012, ECUDOS S.A. initiated a proceeding 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.

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 2012 and 2016, Ecuador experienced fluctuations between balance of payment deficits and surpluses. While there were surpluses in 2013 and 2016, there were deficits in 2012, 2014 and 2015. For the quarter ended September 2015, there was a balance of payment deficit while there was a surplus for the quarter ended September 2016 while there were deficits for the quarters ended December 2015 and December 2016.



Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the Fourth Quarter of 2016.

In 2012, an increase in Government investment contributed to a deficit of U.S.$581.9 million. In 2013, an improvement in the financial account that was the result of an increase in bilateral debt and corresponding loan disbursements contributed to a balance of payments surplus of U.S.$1,845.9 million. However, the current account deficit of U.S.$923.3 million registered in 2013 represents a decrease compared to the U.S.$165.7 million current account deficit registered in 2012. This deficit is the result of an increase in imports, particularly with respect to imported capital goods and raw materials.

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.$2,914.5 million in 2013 to U.S.$323.0 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.$923.3 million in 2013 to a deficit of U.S.$522.9 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.$522.9 million in 2014 to a deficit of U.S.$2,114.0 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 payment surplus of U.S.$1206.7 million, an increase compared to the U.S.$1,488.4 million deficit in 2015. The balance of payment surplus was due to an increase in the current account. The current account increased from a deficit of U.S.$2,114.0 million in 2015 to a surplus of U.S.$1,418.6 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 to a surplus of U.S.$1,569.9 million, which was due to a decrease in imports particularly with respect to fuel and lubricants as well as capital goods.

For the fourth quarter of 2016, there was a balance of payment deficit of U.S.$220 million, a decrease compared to the U.S.$1,022 million balance of payment deficit for the fourth quarter of 2015. Additionally, in the fourth quarter of 2016, the current account registered a surplus of U.S.$264.3 million and the capital and financial account registered a deficit of U.S.$ 400 million.

In the years from 2012 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 has been a non-petroleum trade balance deficit for the past from 2012 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. The time period from 2012 to 2015 also saw a decrease in remittances from U.S.$2,466.9 million in 2012 and U.S.$2,449.5 million in 2013 to a slight increase to U.S.$2,461.7 million in 2014 and a decrease to U.S.$2,377.8 million in 2015. These decreases 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.

The following table sets forth information regarding the Republic's balance of payments for the periods indicated.

Annual Balance of Payments

(in millions of U.S.$)

	2012	2013	2014	2015	2016
Current Account	**-165.7**	**-923.3**	**-522.9**	**-2,114.0**	**1,418.6**
Trade balance	**49.9**	**-528.6**	**-63.5**	**-1,649.8**	**1,569.9**
Exports (FOB)[1]	24,568.9	25,586.8	26,596.5	19,048.7	17,428.0
Petroleum and derivatives	13,792.0	14,107.2	13,275.5	6,660.1	5,459.2
Non-petroleum	9,972.8	10,643.7	12,448.9	11,670.6	11,338.5
Non-registered commerce and other exports	804.1	835.9	872.0	718.1	630.3
Imports (FOB)	-24,518.9	-26,115.3	-26,660.0	-20,698.5	-15,858.1
Services	**-1,394.3**	**-1,419.6**	**-1,170.7**	**-805.2**	**-1,054.2**
Rendered services (credit)	1,804.0	2,041.4	2,346.3	2,391.3	2,139.9
Transportation	408.7	435.8	437.0	444.3	409.8
Travel	1,032.5	1,246.2	1,482.1	1,551.4	1,443.6
Other	362.8	359.4	427.1	395.7	286.4
Rendered services (debit)	-3,198.4	-3,460.9	-3,517.0	-3,196.6	-3,194.1
Transportation	-1,708.4	-1,708.9	-1,743.9	-1,510.1	-1,238.3
Travel	-610.6	-622.5	-634.6	-638.6	-660.7
Other	-879.4	-1,129.5	-1,138.5	-1,047.8	-1,295.0
Investment income	**-1,301.5**	**-1,374.0**	**-1,552.8**	**-1,736.7**	**-1,877.4**
Inflows (credit)	104.9	112.6	120.7	140.3	161.4
Outflows (debit)	-1,406.4	-1,486.6	-1,673.5	-1,877.1	-2,038.9
Employees' remuneration	-8.4	-9.8	-11.4	-13.5	-14.4
Direct investment income	-674.4	-680.5	-663.2	-598.1	-458.1
Portfolio investment income	-64.0	-63.7	-143.2	-230.9	-300.7
Other	-659.6	-732.6	-855.6	-1,034.6	-1,265.7
Net transfers	**2,480.2**	**2,398.8**	**2,264.1**	**2,077.8**	**2,780.3**
Emigrant remittances	2,466.9	2,449.5	2,461.7	2,377.8	2,602.0
Capital and financial account	**-513.6**	**2,914.5**	**3230**	**590.3**	**-121.6**
Capital account	**121.5**	**66.1**	**66.8**	**-69.1**	**-813.8**
Financial account	**-635.1**	**2,848.4**	**256.2**	**659.4**	**692.3**
Direct Investment	567.5	727.1	772.3	1,322.0	744.0
Portfolio Investment	66.7	-909.8	1,500.4	1,473.4	2,200.9
Other Investment	-1,269.3	3,031.1	-2,016.4	-2,136.0	-2,252.7
Errors and omissions	**97.4**	**-145.3**	**-224.6**	**35.2**	**-90.3**
Total balance of payments	**-581.9**	**1,845.9**	**-424.5**	**-1,488.4**	**1,206.7**
Financing	**581.9**	**-1,845.9**	**424.5**	**1,488.4**	**-1,206.7**
International Reserves[2]	475.1	-1,878.0	411.5	1,453.1	-1,762.9
IMF loans	-	-	-	-	365.2
Exceptional Financing, net[3]	106.8	32.1	13.0	35.3	191.0

Source: Based on figures from the Central Bank 2016 Quarterly Balance of Payments Bulletin for the Fourth Quarter of 2016. Balance of payments data is published by the Central Bank on an annual and quarterly basis.

(1) 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.

(2) Data corresponds to changes in International Reserves. Negative numbers indicate an increase in International Reserves and positive numbers indicate a reduction.

(3) 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[4]

(in millions of U.S.$)

	For the Quarter Ended,			
	September 2015	December 2015	September 2016	December 2016
	(in millions of U.S. dollars)			
Current Account	**470.1**	**474.7**	**270.0**	**264.3**
Trade balance	**-363.1**	**-318.7**	**368.3**	**334.7**
Exports (FOB) [2]	4,614.2	4,254.5	4,399.6	4,781.8
Imports (FOB)	-4,977.3	-4,573.2	-4,031.2	-4,447.0
Services	**-143.4**	**-204.0**	**-298.5**	**-298.9**
Rendered services (credit)	617.5	587.1	539.5	542.6
Transportation	117.1	113.0	108.7	107.3
Travel	397.5	382.1	364.2	372.3
Other	102.8	92.0	66.6	62.9
Rendered services (debit)	-760.8	-791.1	-838	-841.5
Transportation	-372.9	-336.0	-327.2	-329.5
Travel	-159.5	-161.2	-181.4	-159.0
Other	-228.4	-293.9	-329.3	-353.0
Investment income	**450.9**	**492.9**	**-447.9**	**-478.6**
Inflows (credit)	32.6	39.9	42.5	43.0
Outflows (debit)	-483.5	532.1	-490.4	-521.6
Employees' remuneration	-3.1	-3.4	-3.0	-3.5
Direct investment income	-480.4	528.7	-487.4	-518.1
Net transfers	**487.3**	**540.2**	**648.1**	**707.1**
Emigrant remittances	616.3	635.8	666.4	671.4
Other transfers	62.8	110.9	274.1	185.5
Outgoing transfers	-191.8	-163.6	-292.3	-149.9
Capital and financial account	**747.7**	**612.3**	**462.6**	**-400.0**
Capital account	**15.5**	**-118.8**	**17.7**	**18.2**
Financial account	**-763.2**	**493.4**	**444.8**	**-418.2**
Direct Investment	259.4	782.6	125.1	301.4
Portfolio Investment	289.2	-363.7	1,651.6	784.9
Other Investment	1,311.9	912.3	-1,331.9	-1,504.5
Errors and omissions	**-20.7**	**64.6**	**-69.6**	**-84.3**
Total balance of payments	**-1,238.5**	**-1,022**	**663**	**-220**
Financing	**1,238.5**	**1,022**	**-663**	**220**
International Reserves [3]	1,227.6	1,015.6	-1,039.2	214.1
IMF loans	-	-	365.2	0
Exceptional Financing, net [4]	10.9	6.8	11.0	5.9

Source: Based on figures from the Central Bank 2016 Quarterly Balance of Payments Bulletin for the Fourth Quarter of 2016.

[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] Data reflects changes in International Reserves, where negative numbers indicate an increase in International Reserves and positive numbers indicate a decrease.

[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.

Current Account

In 2012, the oil exports continued to improve due to the increasing price of petroleum. Exports increased by 6.5% in 2012 and contributed to a reduced deficit of U.S.$168.4 million, a 58.9% reduction compared with 2011.

In 2013, the current account registered a deficit of U.S.$923.3 million (0.97% of GDP), which was partly due to the result of lower services and investment income balances and primarily a result of a decrease in the trade balance due to an increase of imports. The current account deficits were financed by external debt, including Chinese bilateral credits. In 2014, the current account improved and registered a deficit of U.S.$522.5 million (0.51% of GDP), which was the result of an increase in non-petroleum exports. The current account for 2015 resulted in a deficit of U.S.$2,114.0 million (2.12% of GDP) caused by the decrease in the price of petroleum exports. The current account for 2016 resulted in a surplus of U.S.$1,418.6 million (1.5% of GDP) caused by the surplus in the trade balance and the surplus in net transfers. The current account for the fourth quarter of 2016 resulted in a surplus of U.S.$264.3 million (0.3% of GDP) a decrease compared to the U.S.$474.7 million (0.5% of GDP) surplus in the fourth quarter of 2015.

Although the levels of imports increased from 2012 to 2014, the rate of increase declined over this three year period due to the Republic's promotion of domestic production. In 2012, imports increased by 4.8% compared to the previous year, increased slightly to 6.5% in 2013 and declined to 2.1% in 2014. In 2015, imports totaled U.S.$20,698.5 million, compared to U.S.$26,660 million for 2014 registering the first decrease in the levels of imports in the past 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. The trade balance registered a surplus of U.S.$49.9 million in 2012, an increase from a deficit of U.S.$302.6 million in 2011. The surplus was due to the increase in petroleum exports coupled with the reduced rate of growth in imports as compared to the previous year. The trade balance registered a deficit of U.S.$528.6 million in 2013 due to the increase in imports from the previous year. 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.$1,569.9 million, an improvement compared to the U.S.$1,649.8 million trade balance deficit in 2015.

The services balance registered a deficit of U.S.$1,394.3 million in 2012, which was a decrease from the deficits of U.S.$1,562.7 million in 2011. Although there was a negative services balance from 2011 to 2015, general increases in travel and transportation services contributed to a decrease in the deficit. The services balance registered a deficit of U.S.$1,419.6 million in 2013, a U.S.$25.3 million increase from 2012. This increase was the result of an increase in the amount of services that were contracted to work on domestic infrastructure projects. 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.$1,054.2 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. The investment income balance registered a deficit of U.S.$1,877.4 million in 2016, which was an increase from the deficits of U.S.$1,736.7 million in 2015, U.S.$1,552.8 million, U.S.$1,374.0 million and U.S.$1,301.5 million in 2015, 2014, 2013 and 2012, respectively. The continued increases from 2012 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."

Remittances, which are primarily denominated in U.S dollars and Euros, are an important source of net transfers to Ecuador's current account. Remittances decreased by 7.7% and 0.7%, in 2012 and 2013, respectively. 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 million in 2016. The year on year fluctuation for remittance levels from 2012 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.

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 2012, the capital and financial account registered a deficit of U.S.$513.6 million due to the net flows of other investments such as trade credits, currency, and deposits. In 2013, the capital and financial account registered a large surplus of U.S.$2,914.5 million primarily due to the net proceeds from the 2024 Bonds. In 2015, the capital and financial account registered U.S.$590.3 million, an increase from a surplus of U.S.$323.0 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.$121.6 million. This deficit was the result of a deficit in the capital account consisting mainly of a decrease in outgoing capital transfers. Ecuador experienced an increase in direct investment for 2013, where direct investment totaled U.S.$727.1 million, which represents a 28.1% increase from the U.S.$567.5 million in 2012. This increase was due to continuing investment in Ecuador's infrastructure, in particular, its electricity and water sector. In 2014 and 2015, total direct investment continued to increase to U.S.$772.3 million and U.S.$1,322.0 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.$744.0 million. This decrease was principally due to a decrease in investment in the manufacturing and in the services rendered to businesses sectors.

The investment portfolio showed a surplus of U.S.$66.7 million for 2012. In 2013, the investment portfolio showed a deficit of U.S.$909.8 million. In 2014 and 2015, the investment portfolio registered a surplus of U.S.$1,500.4 million and U.S.$1,473.4 million, respectively. In 2016, the investment portfolio showed a surplus of U.S.$2,200.9 million.

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 2011, 2012 and 2013, Ecuador's International Reserves totaled U.S.$2,957.6 million, U.S.$2,482.5 million and U.S.$4,360.5 million, respectively. 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 $4,258.8 million, an increase from 2015. This increase was primarily due to loan disbursements, external debt servicing and hydrocarbon operations.

As of April 30, 2017, Ecuador's International Reserves totaled U.S.$3,236 million, an increase from April 30, 2016, when International Reserves totaled U.S.$2,485 million. This increase was primarily due to cash received from loan disbursements, including under the IMF financing agreement described in "The Republic of Ecuador — Territory Population and Society – Pedernales Earthquake", the termination of the gold monetization transaction by the Central Bank of Ecuador and to an increase in the net foreign currency position.

On May 16, 2014, the Central Bank and Goldman Sachs International ("GSI") entered into a 3-year gold transaction in which the Central Bank transferred an initial amount of approximately 465,619 ounces of gold (valued at the date of the transaction at approximately U.S.$604 million) and in return received a fixed rate on the value of the gold transferred to GSI. Upon maturity on February 20, 2017, the Central Bank received from GSI the return of the total amount of gold that the Central Bank delivered.

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 2016, 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 2012, 2013, 2014, 2015 and 2016 exports of petroleum and petroleum derivatives accounted for approximately 58.0%, 57.0%, 51.6%, 36.4% and 32.5% of total exports, respectively. Between 2011 and 2014, non-petroleum exports, which include, among others, flowers, vehicles, manufactured textile products and seafood, increased an average of 10.0% per year, but decreased by 6.3% in 2015. Ecuador's total export trade has grown steadily during the period between 2011 and 2014, but decreased in 2015 and in the second and third quarter of 2016, due to a decrease in non-petroleum revenues consisting mainly of decreases in banana and tuna and fish exports, despite the increase in oil exports. According to exports (FOB) data, in 2016, total exports decreased to U.S.$16.798 million, compared to U.S.$18.331 million in 2015.

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, 2012	24,568.9	-24,518.9	49.9
Year Ended December 31, 2013	25,586.8	-26,115.3	-528.6
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	17,428.0	-15,858.1	1,569.9

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the Fourth Quarter of 2016.

[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, which requires approval of each of the Constitutional Court, the National Assembly, the European Parliament, and the legislatures of the 28 EU member countries in order to be effective. 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, Ecuador will be a beneficiary of the European Union's Generalized Scheme of Preferences Plus program until 2016 or until the trade agreement is in place. This benefit allows Ecuador to not pay tariffs on exports of Ecuadorian products into the European Union.

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 production plant. The plant will be built in the city of Riobamba and will produce an estimated 2,400 tons of clinker per day. As part of the agreement, Cementos Yura S.A. will hold a 63.5% stake in EPCN. The Government has stated that the domestic production of clinker through this agreement will reduce imports of cement products into the Republic.

In March 2015, the *Comité de Comercio Exterior* ("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.

There have also been other measures taken to increase local production, including the creation of the Ministry of Commerce and the enactment of the Production Code, see "The Ecuadorian Economy—Economic and Social Policies—Production Code."

On November 11, 2016, Ecuador signed a trade agreement with the European Union Council. 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. The trade agreement requires the approval of each of the National Assembly, the European Parliament, and the legislatures of the 28 EU member countries in order to be effective.

The dismantling of tariff surcharges, implemented in 2015 to improve the balance of payments, has 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.

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; and

- 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.

Composition of Trade

In 2012, exports continued to grow, although at a slower pace than in 2011. Exports increased 6% in 2012, reaching a total of U.S.$23,765 million. Growth in 2012 was primarily the result of the increase in exports of crude (8%), shrimp (8%) and tuna (and other fish) (26%).

In 2013, exports increased to U.S.$24,751 million, an increase of 4% compared to 2012. The increase was primarily due to improved banana (12%) and cacao (23%) production, a sharp increase in shrimp exports (40%), and an increase in crude oil exports (6%).

In 2014, despite a 3% decrease in crude oil exports, overall exports increased with 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%). For the period of January through March 2017, overall exports increased to U.S.$4,721 million, an increase of 30% compared to the same period for 2016. This increase was primarily due to an increase in crude oil exports (84%), as well as an increase in bananas and plantains exports (19%) and an increase in shrimp exports (25%).

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,										January - March,			
	2012		2013		2014		2015		2016		2016		2017	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Crude oil	12,711	53.5	13,412	54.2	13,016	50.6	6,355	34.7	5,054	30.1	837	23.1	1,537	32.6
Bananas and plantains...............	2,078	8.7	2,323	9.4	2,577	10.0	2,808	15.3	2,734	16.3	712	19.6	850	18.0
Petroleum derivatives...............	1,081	4.5	695	2.8	259	1.0	305	1.7	405	2.4	59	1.6	129	2.7
Shrimp	1,278	5.4	1,784	7.2	2,513	9.8	2,280	12.4	2,580	15.4	518	14.3	645	13.7
Cacao	345	1.5	423	1.7	576	2.2	693	3.8	621	3.7	171	4.7	166	3.5
Coffee	75	0.3	28	0.1	24	0.1	18	0.1	18	0.1	4	0.1	4	0.1
Tuna and other fish....................	324	1.4	278	1.1	296	1.2	258	1.4	244	1.5	67	1.8	60	1.3
Flowers	714	3.0	830	3.4	918	3.6	820	4.5	802	4.8	234	6.5	269	5.7
Metal Manufacturing.................	897	3.8	508	2.1	519	2.0	510	2.8	402	2.4	109	3.0	100	2.1
Other products[2]	4,262	17.9	4,470	18.1	5,024	19.5	4,284	23.4	3,936	23.4	915	25.2	961	20.4
Total	**23,765**	**100**	**24,751**	**100**	**25,724**	**100**	**18,331**	**100**	**16,798**	**100**	**3,627**	**100**	**4,721**	**100**

Source: Based on figures from the Central Bank April 2017 Monthly Bulletin (Table 3.1.1).

[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] "Other products" consist of non-traditional primary and manufactured products, including canned seafood, vehicles and chemicals.

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)

											January - March,			
	2012		**2013**		**2014**		**2015**		**2016**		**2016**		**2017**	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Consumer goods														
Non-durable goods................	2,931	11.5	2,997	11.1	3,014	10.9	2,695	12.5	2,140	13.1	494	12.7	515	11.5
Durable goods........................	2,162	8.5	2,210	8.2	2,230	8.0	1,593	7.4	1,241	7.6	302	7.8	360	8.0
Postal traffic...........................	173	0.7	240	0.9	208	0.8	131	0.6	136	0.8	30	0.8	38	0.9
Fuel and combustibles...........	5,612	22.0	6,110	22.6	6,617	23.9	4,171	19.4	2,632	16.1	594	15.3	802	17.9
Primary Materials														
Agriculture............................	1,059	4.2	1,124	4.2	1,351	4.9	1,199	5.6	1,112	6.8	245	6.3	271	6.1
Industrial	5,796	22.7	6,198	22.9	6,147	22.2	5,445	25.3	4,501	27.6	1,090	28.1	1,310	29.3
Construction materials..........	968	3.8	1,010	3.7	1,120	4.0	658	3.1	413	2.5	105	2.7	113	2.5
Capital Goods														
Agriculture............................	121	0.5	125	0.5	128	0.5	144	0.7	117	0.72	26	0.7	31	0.6
Industrial	4,642	18.2	5,077	18.8	4,898	17.7	3,948	18.3	2,978	18.2	754	19.4	769	17.2
Transportation Equipment....	1,969	7.7	1,863	6.9	1,954	7.0	1,471	6.8	992	6.1	229	5.9	250	5.6
Other	46	0.2	67	0.2	60	0.2	63	0.3	62	0.4	11	0.3	13	0.3
Total	**25,477**	**100**	**27,021**	**100**	**27,726**	**100**	**21,518**	**100**	**16,324**	**100**	**3,880**	**100**	**4,471**	**100**

Source: Based on figures from the Central Bank April 2017 Monthly Bulletin (Table 3.1.7).

(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) "Other products" consist of non-traditional primary and manufactured products, including canned seafood, vehicles and chemicals.

Ecuador's largest trading partners are the United States, the European Union, 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)

											January - March,			
	2012		**2013**		**2014**		**2015**		**2016**		**2016**		**2017**	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S. $	%	U.S.$	%
Americas														
United States	10,617	44.7	11,043	44.6	11,240	43.7	7,226	39.4	5,436	32.4	1,157	31.9	1,683	35.6
Peru	1,991	8.4	1,901	7.7	1,582	6.1	934	5.1	934	5.6	159	4.4	261	5.5
Colombia	1,056	4.4	912	3.7	951	3.7	784	4.3	811	4.8	209	5.8	207	4.4
Chile	1,991	8.4	2,457	9.9	2,328	9.0	1,138	6.2	1,151	6.9	199	5.5	269	5.7
Other (Americas)	2,981	12.5	2,126	8.6	2,951	11.5	1,689	9.2	1,752	10.4	352	9.7	399	8.5
Total Americas.....................	18,636	78.4	18,439	74.5	19,052	74.1	11,771	64.2	10,083	60.0	2,076	57.2	2,819	59.7
Europe														
European Union (EU)............	2,446	10.3	3,011	12.2	2,981	11.6	2,773	15.1	2,832	16.9	691	19.0	788	16.7
Italy	487	2.1	416	1.7	431	1.7	326	1.8	461	2.7	96	2.6	145	3.1
United Kingdom	164	0.7	170	0.7	176	0.7	166	0.9	139	0.8	34	0.9	42	0.8
Germany.............................	377	1.6	411	1.7	526	2.0	549	3.0	531	3.2	150	4.1	123	2.6
Spain	442	1.9	777	3.1	525	2.0	484	2.6	547	3.3	122	3.4	134	2.8
Other (EU)..........................	975	4.1	1,237	5.0	1,323	5.2	1,249	6.8	1,153	6.9	290	8.0	345	7.3
Rest of Europe........................	947	4.0	1,097	4.4	1,072	4.2	903	5.0	902.5	5.4	246	6.8	277	5.9
Total Europe	3,392	14.3	4,108	16.6	4,053	15.8	3,676	20.1	3,734	22.2	936	25.8	1,065	22.6
Asia														
Taiwan	6	0.0	8	0.0	7	0.0	6	0.0	9	0.1	1	0.0	3	0.1
Japan	657	2.8	572	2.3	326	1.3	331	1.8	22	1.9	64	1.8	101	2.1
China	392	1.6	564	2.3	485	1.9	723	3.9	656	3.9	122	3.4	178	3.8
South Korea............................	40	0.2	45	0.2	57	0.2	173	0.9	83	0.5	12	0.3	29	0.6
Other countries.......................	483	2.0	864	3.5	1,558	6.1	1,475	8.0	1,775	10.6	376	10.4	502	10.6
Total Asia.............................	1,578	6.6	2,053	8.3	2,433	9.5	2,708	14.8	2,842	16.9	575	15.8	813	17.2
Africa	110	0.5	99	0.4	122	0.5	105	0.6	65	0.4	17	0.5	8	0.2
Oceania	31	0.1	39	0.2	45	0.2	51	0.3	52	0.3	11	0.3	15	0.3
Other countries.......................	17	0.1	13	0.1	19	0.1	20	0.1	21	0.1	12	0.3	1	0.0
Total	**23,765**	**100**	**24,751**	**100**	**25,724**	**100**	**18,331**	**100**	**16,798**	**100**	**3,627**	**100**	**4,721**	**100**

Source: 2012 figures based on figures from the Central Bank December 2015 Monthly Bulletin (Table 3.1.4); 2013 through 2017 figures based on figures from the Central Bank April 2017 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.

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.$)

						January - March,	
	2012	**2013**	**2014**	**2015**	**2016**	**2016**	**2017**
Americas[(1)]							
Mexico	896	963	967	656	491	107	144
United States	6,802	7,755	8,751	5,806	4,117	1,075	1,206
Central America	94	107	104	96	95	22	25
South America and the Caribbean							
Argentina	480	415	501	235	218	30	85
Brazil	929	871	863	712	672	156	190
Bolivia	31	110	114	183	192	47	38
Colombia	2,198	2,288	2,201	1,766	1,421	307	393
Chile	628	628	583	551	478	99	117
Panama	1,601	1,765	1,442	1,022	889	172	150
Peru	1,130	1,118	1,024	789	689	172	178
Rest of Americas and Caribbean	1,091	676	678	520	368	81	94
TOTAL AMERICA	**15,880**	**16,697**	**17,227**	**12,335**	**9,630**	**2,268**	**2,619**
Europe							
Germany	592	578	578	497	398	95	111
Italy	284	292	326	344	258	62	57
Spain	613	738	618	430	357	78	143
UK	486	341	151	87	51	10	16
Rest of EU	939	961	1,315	1,126	793	186	291
Rest of Europe	361	301	302	313	313	83	67
TOTAL EUROPE	**3,275**	**3,210**	**3,288**	**2,796**	**2,170**	**513**	**685**
Asia							
China	2,829	3,476	3,613	3,266	2,549	625	635
Japan	732	599	574	478	293	74	92
Taiwan	193	205	213	182	123	32	31
South Korea	796	1,008	902	792	526	138	127
Rest of Asia	1,363	1,442	1,548	1,431	783	183	223
TOTAL ASIA	**5,913**	**6,731**	**6,851**	**6,148**	**4,275**	**1,052**	**1,108**
Postal Traffic and regions excluding the Americas, Europe and Asia	409	383	360	239	249	48	58
Total	**25,477**	**27,021**	**27,726**	**21,518**	**16,324**	**3,880**	**4,471**

Source: 2012 figures based on figures from the Central Bank December 2015 Monthly Bulletin (Table 3.1.4); 2013 through 2017 figures based on figures from the Central Bank April 2017 Monthly Bulletin (Table 3.1.9).

(1) Canada included in Rest of Americas and Caribbean.

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 Hydrocarbons Secretariat of Ecuador.

Direct foreign investment reached U.S.$567.5 million, U.S.$727.1 million, and U.S.$772.3 million, in 2012, 2013 and 2014, respectively. Direct foreign investment in 2015 reached U.S.$1322.0 million, the largest amount from 2012 to 2015. Direct foreign investment in 2016 reached U.S.$744 million. In 2016, the petroleum sector represented the largest percentage of direct foreign investment with 64.4% of all investment. Commerce and transportation, storage and telecommunications followed representing 14.3% and 5.10% of direct foreign investment, respectively. In 2016, direct foreign investment reached U.S.$744.0 million, a decrease compared to the U.S.$1,322 million in 2015. This decrease was principally due to the conclusion and advancement in the construction of major energy infrastructure projects such as the Coca Codo Sinclair, Sopladora and San Francisco hydroelectric generation facilities.

The following table sets forth information regarding foreign direct investment by sector for the periods indicated.

Foreign Investment by Sector

(in millions of U.S.$, and as a % of total foreign investment)

	2012		2013		2014		2015		2016	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Agriculture, forestry, hunting and fishing	17.9	3.1	20.8	2.9	38.9	5.0	67.8	5.1	41.8	5.6
Commerce [(1)]..	83.3	14.7	110.3	15.2	148.5	19.2	172.9	13.1	106.6	14.3
Construction..	31.6	5.6	69.2	9.5	4.7	0.6	6.8	0.5	29.7	4.0
Electricity and water	46.4	8.2	29.2	4.0	-4.7	-0.6	61.8	4.7	1.2	0.2
Petroleum [(2)]..	224.9	39.7	252.9	34.8	685.6	88.8	559.8	42.4	479.1	64.4
Manufacturing	135.6	23.9	137.9	19.0	107.7	14.0	264.1	20.0	36.8	4.9
Social and personal services.....................	1.7	0.3	-2.3	-0.3	14.1	1.8	-10.8	-0.8	-10.1	-1.4
Services rendered to businesses	39.5	7.0	117.7	16.2	24.4	3.2	243.2	18.4	20.9	2.8
Transportation, storage and telecommunications..................................	-13.4	-2.4	-8.5	-1.2	-247.0	-32.0	-43.6	-3.3	38.0	5.10
Total	**567.5**	**100**	**727.1**	**100**	**772.3**	**100**	**1,322.0**	**100**	**744.0**	**100**

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the Fourth Quarter of 2016.

(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"), the creation of the MICSE and *Ecuador Estratégico* in the procurement of foreign investment (see "The Ecuadorian Economy—Strategic Sectors of the Economy"), 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 January 16, 2013, the Central Bank named Diego Martínez as its new president. 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. According to the Monetary and Financial Law, the Committee of Monetary and Financial Policy Regulation is comprised of delegates from Ecuador's Ministry of 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 Superintendent of Banks and the General Manager of the Central Bank 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 *Banco de Desarrollo del Ecuador B.P.* (the "Development Bank"), formerly denominated, *Banco del Estado*. Since 1979, the role of the 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. As of April 30, 2017, the Ecuadorian Development Bank made a total of U.S.$5.468,65 million in disbursements to Ecuador's Autonomous Decentralized Governments.

The Republic is not currently under a structural agreement, such as a stand-by or similar agreement, with the IMF or similar international multilateral institutions. The Executive Board of the IMF approved a disbursement of approximately U.S.$364 million for the Republic under the IMF rapid financing instrument. The financial support was granted to the Republic in order to make up for financial shortfalls and finance reconstructions resulting from the Pedernales Earthquake. IMF announced the financial support on July 8, 2016 by a press release which is available on the IMF website. The IMF disbursed the U.S.$364 million loan in a single, upfront disbursement with no conditionality. Ecuador received the funds under the IMF rapid financing instrument. The increase in international reserves during the period from April 30, 2016 to April 30, 2017 was primarily due to loan disbursements, including under the IMF financing instrument. On July 8, 2016, the Executive Board of the IMF concluded its annual Article IV consultation with Ecuador.

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 Government as well as for payment to third party contractors with which Ecuador had accounts payable.

On January 16, 2017, the Ministry of Finance entered into payment agreements for around U.S.$786 million with representatives of the Autonomous Decentralized Governments to arrange for payment of the amounts owed to them.

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 billion in assets are required to hold at the Central Bank. This resolution is expected to reduce the liquidity of these financial institutions' Central Bank deposits by approximately U.S.$750 million.

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 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 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 April 30, 2017, the majority of banks in Ecuador are in compliance with Basel II. To date, no time limit exists for the compliance of financial institutions with Basel II principles.

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	270-450	91-120	60% - 99%
E	+360	+120	+450	+120	100%

Source: Superintendent of Banks as of April 2017.

(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, and (c) microcredit extended accumulation, as loans in excess of U.S.$10,000. 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 February 28, 2017.

Classification of Aggregate Assets of the Ecuadorian Private Financial System [(1)]

(as a % of total loans)

	As of February 28, 2017			
Category	Commercial loans	Consumer loans	Mortgage loans	Small business
A	77,37	92,31	96,19	92,84
B	17,32	2,20	2,04	1,88
C	4,46	1,51	0,47	1,33
D	0,47	0,93	0,65	0,64
E	0,38	3,04	0,65	3,31
Total	**100**	**100**	**100**	**100**

Source: Superintendent of Banks as of February 2017.

(1) Banks must hold 65% of deposits 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, which 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, 2016, the Liquidity Fund consisted of approximately U.S$2,458 million, an increase compared with December 31, 2015, when the Liquidity Fund amounted to U.S.$2,233 million. Of the U.S.$2,458 million in the Liquidity Fund at the end of December 31, 2016, U.S.$2,391 million corresponded to private financial institutions and U.S.$67 million corresponded to popular and solidarity financial institutions consisting of segments from society including the community, voluntary, and cooperative sectors. This increase was due to contributions from private, popular and solidarity financial institutions as well as to portfolio investment returns. 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 Finance and to COSEDE and thereafter transferred to the *Corporación Financiera Nacional* (the "CFN"), a separate Government institution. The Deposit insurance administered by COSEDE had assets of U.S.$453 million, U.S.$622 million, U.S.$798 million, U.S.$1,009 million, U.S.$1,236 million as of December 31, 2011, December 31, 2012, December 31, 2013, December 31, 2014, and December 31, 2015, respectively. As of December 31, 2016, COSEDE had assets of U.S.$1,410 million. As of March 31, 2017, COSEDE had assets of U.S.$1,503 million, an increase from U.S.$1,289 million as of April 30, 2016.

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 April 30,[2]	
	2012	**2013**	**2014**	**2015**	**2016**	**2016**	**2017**
Banks	26	26	24	22	23	22	23
National banks	25	25	23	21	22	21	22
Private	24	24	22	20	21	20	21
Government-owned banks	1	1	1	1	1	1	1
Foreign banks	1	1	1	1	1	1	1
Other financial entities	57	57	54	41	37	40	37
Savings and loans associations[1]	39	39	37	24	25	24	26
Small lending institutions	4	4	4	4	4	4	4
Financial institutions	10	10	9	10	5	9	4
Public banks	4	4	4	3	3	3	3
Insurance companies	44	44	40	39	n/a	n/a	n/a
Insurance companies	42	42	38	37	n/a	n/a	n/a
Reinsurance companies	2	2	2	2	n/a	n/a	n/a
Credit-card issuing entities	2	2	2	1	1	1	1
Total	**129**	**129**	**120**	**103**	**61**	**63**	**61**

Source: Superintendent of Banks as of April 2017.

[1] Savings and Loans Associations include the *Cooperativas de Ahorro y Credito 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] Information with respect to Insurance Companies is not available for December 31, 2016, April 30, 2016 and April 30, 2017 and is not included in the total number of financial institutions as of such dates.

Banking System

Overview

As of December 31, 2016, the Ecuadorian banking system had a total of 22 banking institutions, of which one was a foreign-owned bank and one was a state-owned bank. The decrease in the total amount of banking institutions and other financial entities, excluding insurance companies, from 64 in 2015 to 61 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.$23.9 billion in 2011 to U.S.$33.6 billion in 2014. As of December 31, 2016, total assets for the banking system totaled U.S.$35.6 billion, an increase of 15.3% since December 31, 2015. This increase in total assets is due to an increase in available funds of U.S.$2.2 billion in 2016. Total assets of the banking system increased from U.S.$31.9 billion as of April 30, 2016 to U.S.$35.7 billion as of April 30, 2017, an increase of 11.8%. This increase was principally due an increase in the loan portfolio of U.S.$2.4 billion and an increase in cash of U.S.$1.0 billion.

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,						As of April 30,	
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2016**	**2017**
Total assets (in billions of U.S. dollars)........	23.9	27.9	30.7	33.6	30.9	35.6	31.9	35.7
Non-performing loans [(1)] (as % of total loans)	0.99%	1.24%	1.18%	1.33%	1.45%	1.34%	1.64%	1.29%

Source: Superintendent of Banks as of April 2017.

(1) Non-performing loans are classified by economic sector. Commercial non-performing loans are classified as loans 31 days overdue, consumer non-performing loans are classified as loans 16 days overdue, real estate non-performing loans are classified as loans 61 days overdue, and microcredit non-performing loans are classified as loans 16 days overdue.

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, 2012..	15,992	5,921	21,913	18%
December 31, 2013..	17,619	6,631	24,251	11%
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%
April 30, 2016..	16,222	8,067	24,289	-12%
April 30, 2017..	19,284	8,240	27,524	13%

Source: Superintendent of Banks as of April 2017.

(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, 2012 through December 31, 2015, total time and demand deposits increased 6.3%, from U.S.$ 21,913 million to U.S.$23,291 million. As of December 31, 2016, time and demand deposits totaled U.S.$27,475 million, an increase of 18% since December 31, 2015. This increase is due to a significant growth in demand deposits. The majority of funding for the Ecuadorian banking system is comprised of demand deposits, which decreased 0.6% from U.S.$15,992 million in 2012 to U.S.$15,889 million in 2015. As of December 31, 2016, demand deposits totaled U.S.$19,166 million, an increase of 20.6% since December 31, 2015. Time deposits increased 25.0% from U.S.$5,921 million in 2012 to U.S.$7,402 million in 2015. As of December 31, 2016, time deposits totaled U.S.$8,309 million, an increase of 12.3% since December 31, 2015. As of April 30, 2017, total time and demand deposits increased to U.S.$27,524 million, an increase of 13% compared to April 30, 2016. This increase was due to a significant growth in demand deposits, which increased 18.9% from April 30, 2016.

Foreign banks and financial institutions are also a source of liquidity in the Ecuadorian banking system. As of December 31, 2016 the balance of foreign liabilities in the banking sector amounted to approximately U.S.$506.36 million, which is an increase from the balance of foreign liabilities in December 31, 2015, which was U.S.$433.79 million. As of April 30, 2017, the balance of foreign liabilities in the banking sector amounted to approximately U.S.$480.89 million, which is an increase of 1.11% from the balance of foreign liabilities in April 30, 2016, which was U.S.$475.63 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, 2012	63	24	2
December 31, 2013	63	22	2
December 31, 2014	62	26	2
December 31, 2015	58	27	5
December 31, 2016	60	26	5
April 30, 2016	57	28	5
April 30, 2017	60	26	5

Source: Superintendent of Banks as of April 2017.

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, 2011	53.9	13.0
December 31, 2012	52.8	11.5
December 31, 2013	52.6	13.9
December 31, 2014	54.7	14.0
December 31, 2015	56.7	14.4
December 31, 2016	53.4	14.4
April 30, 2016	54.2	17.1
April 30, 2017	55.2	16.6

Source: Superintendent of Banks as of April 2017.

As of December 31, 2016, the banking system represented 93.6 % of the total assets of the private financial system. The banking system, for the year ended December 31, 2016, made a profit of U.S.$222 million, which according to data from the Superintendent of Banks represented 0.23% of Ecuador's nominal GDP and a decrease compared to U.S.$271 million as of December 31, 2015. The banking system strengthened between 2015 and 2016, and its assets expanded by 15.34% due to an increase in available funds.

As of April 30, 2017, the banking system represented 93.6% of the total assets of the private financial system. As of April 30, 2017, the banking system made a profit of U.S.$99.9 million, which according to data from the Superintendent of Banks represented an increase of 54.1% compared to U.S.$64.8 million as of April 30, 2016. The assets of the banking system increased by 11.8% between April 30, 2017 and April 30, 2016 due to an increase in the loan portfolio.

Ecuador's banks use their resources primarily to extend loans. Between 2012 and 2016, the Ecuadorian banking system's total loan portfolio increased by U.S.$4.60 billion (29.16% and 208.50% as a percentage of capital requirement) and past due loans increased by U.S.$278.89 million (63.08% and 12.64% as a percentage of capital requirement). Regulations require that banks have a legal lending limit equal to 10% of their net worth for uncollateralized loans and up to 20% of their net worth if the excess over the first 10% is 140% collateralized.

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 April 30, 2017

Loans		**Deposits**	
Commercial, Productive and Consumer Loans	17,172	Demand Deposits	19,284
Microenterprise Loans	1,498	Time Deposits	8,240
Education Loans	432	Guarantee Deposits	1
Real Estate and Public Housing Loans	2,043	Others	1,199
Total	21,146	**Total**	28,724

Source: Superintendent of Banks as of April 2017.

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, 2012	15,332	442	15,774	97.2%	2.8%
December 31, 2013	16,810	448	17,258	97.4%	2.6%
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%
April 30, 2016	17,766	867	18,633	95.3%	4.7%
April 30, 2017	20,382	763	21,146	96.4%	3.6%

Source: Superintendent of Banks as of April 2017.

(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 overdue. Non-interest generating loans are also included in past-due loans.

The delinquency rate increased to 2.8% in 2012 from 2.2% in 2011 as a result of an increase in consumer past-due loans which increased from U.S.$175 million in 2011 to U.S.$293 million in 2012. However the rate decreased to 2.6% in 2013 due to reduction in past-due loans of the commercial sector, which decreased to U.S.$284 million. In 2014, the delinquency rate increased to 2.9%, 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. As of April 30, 2017, the delinquency rate decreased to 3.6% compared to the 4.7% delinquency rate as of April 30, 2016. This decrease is principally due to a decrease of 11.9% in past-due loans while the total loan portfolio increased by 13.5% as a result of an increase in the income of borrowers which decreased payment delays.

As of April 30, 2017, 50.8% of all current loans were commercial, 30.4% were consumer, 9.7% were housing, 7.1% were microcredit and 2% were education related.

As of April 30, 2017, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.$28,724 million, an increase from the U.S.$25,409 million as of April 30, 2016. Total current loans to the private sector from the private banking sector increased from U.S.$17,766 million as of April 30, 2016 to U.S.$20,382 million as of April 30, 2016.

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,												**As of April 30,**			
	2011		**2012**		**2013**		**2014**		**2015**		**2016**		**2016**		**2017**	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Commercial	68	22.3	62	14.0	65	14.5	72	12.7	98	14.3	117	16.2	130	15.0	143	18.7
Consumer	175	57.2	293	66.3	284	63.4	383	68.0	438	63.7	428	59.3	537	61.9	427	56.0
Real estate	23	7.5	25	5.7	27	6.0	31	5.3	39	5.6	59	8.1	60	6.9	71	9.3
Microcredit	39	12.9	62	14.0	72	16.1	79	13.8	90	13.1	97	13.5	115	13.3	96	12.6
Education[1]	-	-	-	-	-	-	-	-	22	3.2	20	2.8	23	2.7	28	3.6
Total	**306**	**100**	**442**	**100**	**448**	**100**	**565**	**100**	**687**	**100**	**721**	**100**	**867**	**100**	**763**	**100**

Source: Superintendent of Banks as of April 2017.

(1) Productive loans are included with commercial loans for September 30, 2016

The education loan portfolio that was previously administered by the *Instituto Ecuatoriano de Crédito Educativo y Becas* (IECE) was transferred to the banking system in February of 2015.

Banking Sector

The first, second and third largest banks in Ecuador are Banco del Pichincha, Banco del Pacífico and Banco de Guayaquil, respectively. As of December 31, 2016, the three banks accounted for about 57.1% of the reported combined income and 54.9% of Ecuador's banking assets. Return on equity for these three banks averaged 6.5% for 2016, a decrease of 2.4% compared to 2015, while net profit decreased from U.S.$143 million in 2015 to U.S.$116 million in 2016.

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, 2016, Banco del Pacífico had approximately U.S.$5,513 million in assets. Its profits decreased in 2016 when compared to 2015 from U.S.$50.86 million in 2015 to U.S.$40.00 million in 2016. As of April 30, 2017, Banco del Pacífico had approximately U.S.$5.243 million in assets. Its profits increased to U.S.$16.9 million as of April 30, 2017 when compared to U.S.$11.5 million as of April 30, 2016.

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), $163 million in securities and $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.

As of April 30, 2017, approximately 3.1% of the profits in the banking sector came from Citibank N.A. Ecuador Branch, which is 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, has not announced a formal restructuring plan for the bank's assets. 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.

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, co-operative 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 2016, cooperative loans totaled U.S.$6,634 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 Economia 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. In the last five years, Ecuador has experienced an increase in the issuance of corporate bonds. They have become an important financing alternative for companies and issuers 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 December 31, 2016, the Ecuadorian Stock Exchanges combined listed the securities of approximately 417 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 Compañias Valores y Seguros* (the "Superintendent of Companies and 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 April 30, 2017, U.S.$439.8 million worth of securities were traded in the secondary market, representing 23.8% of the Ecuadorian securities market. Repo trading represented 0.4% of the total market. The following table shows aggregate amounts of traded securities for the periods listed.

Aggregate Amounts of Traded Securities
(in millions of U.S. dollars)

	For the Year Ended December 31,						As of April 30,	
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2016**	**2017**
Repos	42.2	54.1	168.1	203.3	23.0	14,2	3.4	7.2
Other [(1)]	3,718.7	3,695.6	3,554.2	7,340.8	5,023.8	8.318,5	2,746.1	1,838.4
Total	3,760.9	3,749.7	3,722.3	7,544.1	5,046.8	8,332.7	2,749.5	1,845.6

Source: *Bolsa de Valores de Quito* ("Quito 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 is due to a greater placement of investment certificates and government issues. As of April 30, 2017, U.S.$1,845.6 million worth of securities were traded on the Ecuadorian Stock Exchanges, representing a decrease compared to the U.S.$2,749.5 million of the securities traded as of April 30, 2016. This decrease is due to a decrease in the amount of government-issued securities.

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 pre-payments;
- 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 April 30,	
	2012	2013	2014	2015	2016	2016	2017
Deposit interest rate	4.5	4.5	5.2	5.1	5.1	5.9	4.8
Lending interest rate	8.2	8.2	8.2	9.1	8.1	9.0	8.1
Corporate productive lending interest rate[(1)]	8.2	8.2	8.2	9.2	8.5	9.3	8.1
Maximum corporate productive interest rate	9.3	9.3	9.3	9.3	9.3	9.3	9.3
Business productive lending interest rate[(2)]	9.5	9.5	9.6	9.8	9.8	10.2	10.2
Maximum business productive interest rate	10.2	10.2	10.2	10.2	10.2	10.2	10.2
Medium and small business productive lending interest rate[(3)]	11.2	11.2	11.2	10.3	11.2	10.3	11.0
Maximum medium and small business productive interest rate	11.8	11.8	11.8	11.8	11.8	11.8	11.8
Ordinary commercial lending interest rate[(4)]	n/a	n/a	n/a	9.0	9.4	9.5	9.1
Maximum commercial interest rate	n/a	n/a	n/a	11.8	11.8	11.8	11.8
Corporate commercial priority lending interest rate[(1)]	n/a	n/a	n/a	9.1	8.1	9.0	8.1
Maximum corporate commercial interest rate	n/a	n/a	n/a	9.3	9.3	9.3	9.3
Business commercial priority lending interest rate[(2)]	n/a	n/a	n/a	9.9	9.9	10.0	9.7
Maximum business commercial interest rate	n/a	n/a	n/a	10.2	10.2	10.2	10.2
Medium and small business commercial priority lending interest rate[(3)]	n/a	n/a	n/a	11.1	11.0	11.2	10.7
Maximum medium and small business commercial interest rate	n/a	n/a	n/a	11.8	11.8	11.8	11.8
Consumer lending interest rate[(5)]	15.9	15.9	16.0	n/a	n/a	n/a	n/a
Maximum consumer interest rate	16.3	16.3	16.3	n/a	n/a	n/a	n/a
Ordinary consumer lending interest rate[(5)]	n/a	n/a	n/a	16.2	16.8	16.9	16.8
Maximum Ordinary consumer interest rate	n/a	n/a	n/a	17.3	17.3	17.3	17.3
Priority consumer lending interest rate[(5)]	n/a	n/a	n/a	16.0	16.7	16.6	16.6
Maximum priority consumer interest rate	n/a	n/a	n/a	17.3	17.3	17.3	17.3
Education lending interest rate[(6)]	n/a	n/a	n/a	7.1	9.5	7.5	9.5
Maximum education interest rate	n/a	n/a	n/a	9.5	9.5	9.5	9.5
Housing lending interest rate	10.6	10.6	10.7	10.9	10.9	10.9	10.7
Maximum housing interest rate	11.3	11.3	11.3	11.3	11.3	11.3	11.3
Microcredit increased accumulation lending interest rate[(7)]	22.4	22.4	22.3	24.3	21.5	22.1	21.3
Maximum microcredit increased accumulation interest rate	25.5	25.5	25.5	25.5	25.5	25.5	25.5
Microcredit simple accumulation lending interest rate[(8)]	25.2	25.2	25.2	26.9	25.1	25.0	25.0
Maximum microcredit simple accumulation interest rate	27.5	27.5	27.5	27.5	27.5	27.5	27.5
Microcredit subsistence accumulation lending interest rate[(9)]	28.8	28.8	28.6	29.0	27.3	26.6	27.7
Maximum microcredit subsistence accumulation interest rate	30.5	30.5	30.5	30.5	30.5	30.5	30.5

Source: 2012 deposit and lending interest rates based on Central Bank September 2014 Monthly Bulletin (Table 1.10.1) Other 2012 figures based on Central Bank September 2014 Monthly Bulletin (Table 1.10.2).

2014 and 2013 deposit and lending interest rates based on Central Bank March 2016 Monthly Bulletin (Table 1.10.1). Other 2014 and 2013 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).

[(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)] "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.

(9) "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 slightly from 8.2% in 2012 to 8.1% in 2016 due to certain banks reducing interest rates on consumer loans as a result of excess liquidity. During the same period, the average interest rates on deposits increased from 4.5% in 2012 to 5.1% in 2016 because banks increased interest rates offered to the public in order to satisfy liquidity needs.

With respect to the various sectors, most loan interest rates remained stable during the period from 2012 through 2016 with the corporate productive lending interest rate increasing slightly to 8.2%, and consumer lending rates remaining at approximately 15.9% from 2012 to 2013, increasing slightly to 16.0% in 2014. 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 16.8% in 2016, and the priority consumer lending interest rate increased from 16.0% in 2015 to 16.7% in 2016.

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 following table sets forth the principal monetary indicators for the periods presented.

Principal Monetary Indicators

(in millions of U.S. dollars)

	As of December 31					As of March 31,
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
Currency in circulation	6,326.74	7,367.06	9,539.90	11,753.67	13,261.22	13,275.51
Demand deposits	8,100.37	8,818.04	9,068.76	7,200.95	9,281.36	9,635.94
Fractional Currency	84.52	87.33	86.58	86.26	88.20	87.76
M1	**14,511.62**	**16,272.43**	**18,695.32**	**19,041.49**	**22,634.90**	**23,006.67**
Savings	2,360.24	3,898.14	3,506.05	3,053.45	6,044.05	5,626.98
Term deposits	16,393.88	18,778.71	21,409.05	20,608.95	23,553.5	24,039.01
M2 (M1 plus term deposits)	**30,905.50**	**35,051.14**	**40,104.37**	**39,650.60**	**46,188.37**	**47,045.68**

Source: Based on figures from the Central Bank April 2017 Monthly Bulletin (Table 1.1.1). Figures from 2012 based on the March 2014 Monthly Bulletin.

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. During 2011, 2012, 2013 and 2014 the inflation rate was 5.4%, 4.2%, 2.7% and 3.7%, respectively. The decrease in the inflation rate from 4.2% in 2012 to 2.7% in 2013 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 3.7%. This increase is 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 3.4%. 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 1.1% from 3.4% for the 12-month period ending December 31, 2015. This decrease is 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. Inflation decreased from 1.8% for the 12-month period ended April 30, 2016 to 1.1% for the 12-month period ended April 30, 2017 due to a decrease in price of certain products including sound and image recording equipment, garments for women, footwear for men, fruits, motor vehicles and frozen or refrigerated fresh poultry, as a result of a stronger dollar and the application of certain additional tariffs.

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 2012	4.2
December 2013	2.7
December 2014	3.7
December 2015	3.4
December 2016	1.1
April 2016	1.8
April 2017	1.1

Source: *Based on figures from the Central Bank April 2017 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 2013 to 2017 was released in August of 2013.

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 Finance and the Central Bank. The Ministry of 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 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 SENPLADES. 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.

At the request of the Ministry of 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 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 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 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. 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, 2015, International Reserves cover 9.5% of current account payments. For more information regarding International Reserves, please see "Balance of Payments—International Reserves." The Government received external funding from FLAR, which in September 2012 disbursed a balance-of-payments back-up credit of U.S.$514.6 million. The China Development Bank also disbursed U.S.$500 million. In the first several months of 2013, the Government received U.S.$1.4 billion from China Development Bank under a new line of credit that was negotiated in December 2012. These funds were used to restore Ecuador's International Reserves. As of April 30, 2017, Ecuador's International Reserves totaled U.S.$3,236 million, an increase from April 30, 2016, when International Reserves totaled U.S.$2,485 million. This increase was primarily due to cash received from loan disbursements, including under the IMF financing agreement described in "The Republic of Ecuador — Territory Population and Society – Pedernales Earthquake", the termination of the gold monetization transaction by the Central Bank of Ecuador and to an increase in the net foreign currency position.

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,									
	2012	% of GDP	2013	% of GDP	2014	% of GDP	2015	% of GDP	2016	% of GDP
Revenue										
Petroleum Revenue										
Exports[1]	12,220	13.9	11,433	12.0	10,906	10.7	6,346	6.3	5,402	5.5
Domestic Sales	-	-	-	-	-	-	-	-	-	-
Total Petroleum Revenue (a)	**12,220**	**13.9**	**11,433**	**12.0**	**10,906**	**10.7**	**6,346**	**6.3**	**5,402**	5.5
Non-petroleum revenue										
Income Tax	3,313	3.8	3,847	4.0	4,161	4.1	4,734	4.7	3,640	3.7
Value-added Tax	5,415	6.2	6,056	6.4	6,376	6.2	6,352	6.3	5,400	5.5
Specific consumption taxes	685	0.8	744	0.8	803	0.8	840	0.8	790	0.8
International trade taxes	1,261	1.4	1,352	1.4	1,357	1.3	2,026	2.0	1,633	1.7
Social Security Contributions	4,756	5.4	4,547	4.8	4,718	4.6	5,055	5.0	4,741	4.8
Other[2]	4,353	5.0	6,084	6.4	6,524	6.4	6,935	6.9	8,091	8.3
Total non-petroleum revenue (b)	**19,783**	**22.5**	**22,630**	**23.8**	**23,939**	**23.4**	**25,942**	**25.9**	**24,294**	**24.8**
Operating Income of Public Companies (c)	**2,567**	**2.9**	**3,196**	**3.4**	**4,187**	**4.1**	**1,298**	**1.3**	**618**	**0.6**
Total Revenue (a+b+c)	**34,570**	**39.3**	**37,260**	**39.2**	**39,032**	**38.2**	**33,586**	**33.5**	**30,314**	**40.0**
Expenses										
Current Expenditures										
Interest	652	0.7	971	1.0	1,024	1.0	1,368	1.4	1,561	1.6
Foreign	533	0.6	714	0.8	829	0.8	1,143	1.1	1,335	1.4
Domestic	119	0.1	257	0.3	195	0.2	224	0.2	226	0.2
Wages and salaries	8,345	9.5	8,896	9.4	9,478	9.3	9,904	9.9	10,014	10.2
Purchases of goods and services	3,473	3.9	4,435	4.7	5,328	5.2	5,112	5.1	4,684	4.8
Social Security	3,335	3.8	3,410	3.6	3,665	3.6	4,215	4.2	4,655	4.8
Others	8,626	9.8	9,265	9.7	9,497	9.3	6,884	6.9	5,691	5.8
Total Current Expenditure	**24,431**	**27.8**	**26,977**	**28.4**	**28,992**	**28.3**	**27,482**	**27.4**	**26,604**	**27.2**
Capital Expenditure and net lending										
Gross capital formation	10,312	11.7	14,039	14.8	13,980	13.7	10,345	10.3	10,293	10.5
Central Government	6,191	7.0	8,506	8.9	8,290	8.1	5,542	5.5	6,105	6.2
Public Companies	2,497	2.8	3,988	4.2	4,218	4.1	3,285	3.3	2,533	2.6
Rest of General Government	1,624	1.8	1,545	1.6	1,472	1.4	1,518	1.5	1,655	1.7
Other Capital Expenditure	650	0.7	592	0.6	1,375	1.3	850	0.8	731	0.7
Total Capital Expenditure	**10,963**	**12.5**	**14,631**	**15.4**	**15,354**	**15.0**	**11,195**	**11.2**	**11,024**	**11.3**
Total Expenditure	**35,394**	**40.3**	**41,607**	**43.7**	**44,346**	**43.4**	**38,676**	**38.6**	**37,628**	**38.5**
Surplus/Deficit	**-824**	**-0.9**	**-4,348**	**-4.6**	**-5,314**	**-5.2**	**-5,091**	**-5.1**	**-7,314**	**-7.5**

Source: Based on figures from the Central Bank March 2017 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.

The increase in the year to year deficit from 2012 to 2015 was due to increased Central Government spending during each such year, particularly in wages and salaries and interest payments in connection with debt obligations, and in 2015 was also due to the decline in oil prices. The increase in the year to year deficit from 2015 to 2016 was due to a stronger dollar which affected exports, the Pedernales earthquake and the decline in oil prices.

In 2012, the non-financial public sector registered a deficit of U.S.$824 million (equivalent to -0.9% of GDP). In 2012, total expenditures totaled U.S.$35,394 million (equivalent to 40.3% of GDP) and total revenues totaled U.S.$34,570 million (equivalent to 39.3% of GDP).

In 2013, the non-financial public sector registered a deficit of U.S.$4,348 million (equivalent to -4.6% of GDP). This deficit was due to an increase in public sector investment, primarily in infrastructure projects financed by bilateral debt. The increase in spending on infrastructure projects is due to a number of projects that had been in the planning or initial stages in previous years and that reached or accelerated the construction phase in 2013 (including the Coca Codo Sinclair hydroelectric project, the Sopladora hydroelectric project, the Minas San Francisco hydroelectric project and the Cañar-Naranjal flood control project) and therefore required increased expenditures as construction began or accelerated. Total expenditures totaled U.S.$41,607 million (equivalent to 43.7% of GDP) and total revenues totaled U.S.$37,260 million (equivalent to 39.2% of GDP).

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 43.4% of GDP) and total revenues totaled U.S.$39,032 million (equivalent to 38.2% of GDP) in 2014.

In 2015, the non-financial public sector registered a deficit of U.S.$5,091 million, equivalent to -5.1% of GDP. This deficit, while smaller than the deficit in 2014, was the result of decreased petroleum revenue. Total expenditures totaled U.S.$38,676 million (equivalent to 38.6% of GDP) and total revenues totaled U.S.$33,586 million (equivalent to 33.5% 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.$5,091 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.$33,586 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.$38,676 million in 2015.

Based upon available information, the Republic expects that the actual deficit for 2016 will have exceeded the budgeted deficit for 2016 by approximately 1%.

For 2017, the Ministry of Finance's estimated projection for financing needs (both internal debt and external debt) is U.S.$12.56 billion. The Ministry of Finance estimates that approximately U.S.$6.43 billion will derive from international financing and approximately U.S.$6.13 billion from domestic financing. With respect to international financing, the Ministry of Finance expects that such financing may come from various sources, including drawdowns under existing loan facilities, new bilateral and multilateral lending facilities, bond issuances and other methods of providing liquidity that the Republic has previously utilized, such as oil sector related transactions, among others. With respect to domestic financing, the Ministry of Finance expects that such financing may derive from rollovers of existing debt, new placements by the Ministry of Finance and the Central Bank, certain projects and domestic operations. While the Ministry of Finance has expectations as to the approximate amounts to be derived from the various sources, such allocation is subject to market conditions as well as the policies of the new administration and such amounts and the use of the financing sources set forth in this paragraph is subject to change.

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 Central Government Sector Revenues and Expenditure

(in millions of U.S.$, and as % of GDP)

	For the Year Ended December 31,									
	2012	% of GDP	2013	% of GDP	2014	% of GDP	2015	% of GDP	2016	% of GDP
Revenue(1)										
Petroleum revenue	**6,086**	**6.9**	**4,677**	**4.9**	**3,765**	**3.7**	**2,264**	**2.3**	2,003	**2.0**
Non-petroleum revenue	**13,437**	**15.3**	**15,723**	**16.5**	**16,616**	**16.2**	**18,081**	**18.0**	**16,552**	**16.9**
Tax revenue										
Taxes on goods and services										
Value-added tax	5,415	6.2	6,056	6.4	6,376	6.2	6,352	6.3	5,400	5.5
Selected excise taxes	685	0.8	744	0.8	803	0.8	840	0.8	790	0.8
Total taxes on goods and services	6,100	6.9	6,800	7.1	7,179	7.0	7,192	7.2	6,189	6.3
Taxes on income and profits	3,313	3.8	3,847	4.0	4,161	4.1	4,734	4.7	3,640	3.7
Taxes on International Trade										
Import duties	1,261	1.4	1,352	1.4	1,357	1.3	2,026	2.0	1,633	1.7
Exit tax(2)	1,275	1.5	1,322	1.4	1,406	1.4	1,278	1.3	815	0.8
Total taxes on international trade	2,536	2.9	2,675	2.8	2,763	2.7	3,304	3.3	2,448	2.5
Vehicle tax	195	0.2	214	0.2	228	0.2	223	0.2	195	0.2
Other taxes	111	0.1	132	0.1	129	0.1	135	0.1	1,546	1.6
Total tax revenue	**12,255**	**13.9**	**13,668**	**14.4**	**14,460**	**14.1**	**15,588**	**15.6**	**14,017**	**14.3**
Non-tax revenue	**1,128**	**1.3**	**1,961**	**2.1**	**2,061**	**2.0**	**2,021**	**2.0**	**2,152**	**2.2**
Transfers	**54**	**0.1**	**95**	**0.1**	**95**	**0.1**	**471**	**0.5**	**383**	**0.4**
Total revenues	**19,523**	**22.2**	**20,400**	**21.4**	**20,381**	**19.9**	**20,345**	**20.3**	**18,556**	**19.0**
Current expenditure										
Interest accrual										
Foreign	465	0.5	652	0.7	715	0.7	971	1.0	1,148	1.2
Domestic	363	0.4	516	0.5	682	0.7	789	0.8	791	0.8
Total interest accrual	828	0.9	1,169	1.2	1,397	1.4	1,759	1.8	1,938	2.0
Wages and salaries	7,353	8.4	7,897	8.3	8,359	8.2	8,761	8.7	8,870	9.1
Purchase of goods and services	1,658	1.9	2,035	2.1	2,490	2.4	2,409	2.4	1,935	2.0
Other current expenditures	900	1.0	1,696	1.8	998	1.0	691	0.7	742	0.8
Transfers	1,258	1.4	1,511	1.6	1,737	1.7	863	0.9	1,028	1.1
Total current expenditure	**11,996**	**13.6**	**14,308**	**15.0**	**14,981**	**14.6**	**14,484**	**14.5**	**14,514**	**14.8**
Capital expenditure										
Fixed capital expenditure	6,191	7.0	8,506	8.9	8,290	8.1	5,542	5.5	6,105	6.2
Other	328	0.4	-	-	22	-	16	-	394	0.4
Capital Transfers	2,724	3.1	3,048	3.2	3,501	3.4	4,108	4.1	3,092	3.2
Total capital expenditure	**9,244**	**10.5**	**11,554**	**12.1**	**11,812**	**11.5**	**9,665**	**9.6**	**9,590**	**9.8**
Total Expenditure(2)	**21,240**	**24.2**	**25,861**	**27.2**	**26,794**	**26.2**	**24,149**	**24.1**	**24,103**	**24.6**
Adjustment on treasury accounts	-	-	-	-	-	-	-	-	-	-
Overall surplus or deficit	-1,717	-2.0	-5,461	-5.7	-6,413	-6.3	-3,805	-3.8	-5,548	-5.7

Source: Based on figures from the Central Bank March 2017 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 2012, Central Government revenues totaled U.S.$19,523 million (equivalent to 22.2% of GDP), of which U.S.$6,086 million (equivalent to 6.9% of GDP) corresponds to petroleum revenue, U.S.$12,255 million (equivalent to 13.9% of GDP) corresponds to tax revenue, U.S.$1,128 million (equivalent to 1.3% of GDP) corresponds to non-tax revenue and U.S.$54 million (equivalent to approximately 0.1% of GDP) is in respect of transfers received.

In 2013, Central Government revenues totaled U.S.$20,400 million (equivalent to 21.5% of GDP), of which U.S.$4,677 million (equivalent to 4.9% of GDP) corresponds to petroleum revenue, U.S.$13,668 million (equivalent to 14.4% of GDP) corresponds to tax revenue, U.S.$1,961 million (equivalent to 2.1% 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 2014, Central Government revenues totaled U.S.$20,381 million (equivalent to 20.2% of GDP), of which U.S.$3,765 million (equivalent to 3.7% of GDP) corresponds to petroleum revenue, U.S.$14,460 million (equivalent to 14.3% 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.$20,344 million (equivalent to 20.2% of GDP), of which U.S.$2,264 million (equivalent to 2.2% of GDP) corresponds to petroleum revenue, U.S.$15,588 million (equivalent to 15.5% 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 results in a deficit of U.S.$5,548 million in 2016, an increase in the deficit compared to the deficit of U.S.$3,805 million in 2015. This increase in the deficit is primarily due to decreases in petroleum revenue, non-petroleum revenue as well as in revenue from certain taxes.

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 shall promote redistribution and shall 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. The value added tax has been the largest component of tax revenues in the past five years, generating U.S.$5,400 million of total tax revenues in 2016, a decrease from U.S.$6,352 million in 2015. This decrease was due to a reduced level of 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 8 years until the Law of Solidarity increase to 14% for one year from June 1, 2016. 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 income tax, which accounted for U.S.$3,640 million of tax revenues in 2016, a decrease from U.S.$4,734 million of tax revenues in 2015. 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, the standard corporate tax rate decreased back to 22% for 2017.

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 is due to several tax reforms implemented during this period.

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 value added tax ("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 expected to return to 12% effective May 31, 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. Also, Ecuador believes that the decrease in the corporate tax rate to 22% in 2013, compared to 25% in 2012, has encouraged business growth and allowed for a larger corporate tax base.

In December 2012, the National Assembly enacted the *Ley Orgánica de Redistribución de los Ingresos para el Gasto Social* ("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, the *Ministerio de Industrias y Productividad* (the "Ministry of Production and Industrialization") introduced a U.S.$42 flat tax rate on all international online purchases under U.S.$400 and up to 4 kilograms. Before the introduction of this tax only international online purchases in excess of $400 and 4 kilograms were subject to tax. This tax is intended to encourage local market consumption by discouraging small online purchases made outside the country. The tax will be imposed on shipping companies for each package that enters the country. Packages shipped through certain state-owned postal services subject to international treaties will be exempt from the tax. Books for students for educational purposes are also exempt.

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 2011, Central Government expenditure as a percentage of GDP was 23.3%. Overall expenses in 2011 constituted U.S.$18,435 million. Since then, the amount of Central Government expenditures has steadily increased to U.S.$26,794 million in 2014 before decreasing to U.S.$24,149 million in 2015. The increases in Central Government spending from 2011 through 2014 can be primarily attributed to increases in (1) wages and salaries, which have increased, in absolute terms, from U.S.$6,466 million in 2011 (when they constituted 35% of Central Government spending and 8.2% of total GDP) to U.S.$8,359 million in 2014 (when they constituted 31.2% of Central Government spending and 8.3% of total GDP) and (2) fixed capital expenditures, which have increased from U.S.$5,174 million in 2011 (when they constituted 28% of Central Government spending and 6.6% of total GDP) to U.S.$8,290 million in 2014 (when they constituted 31% of Central Government spending and 8.2% of total GDP). The Government increased the amount of investment in infrastructure projects, especially highways, bridges, and hydroelectric plants during this period. For more information see "The Ecuadorian Economy—Strategic Sectors of the Economy." In 2015, while wages and salaries, increased by 4.8% from 2014 to U.S.$ 8,761 million (constituting 36% of Central Government spending and 8.7% of total GDP), fixed capital expenditures, decreased by 33.1% from 2014 to U.S.$ 5,542 million (constituting 23% of Central Government spending and 5.5% 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. For more information, see "The Ecuadorian Economy – Strategic Sectors of the Economy."

2015, 2016 and 2017 Budgets

On October 31, 2014, the executive branch presented the 2015 draft budget to the National Assembly, which proposed a budget of U.S.$36.3 billion for the year, a 5.8% increase from the U.S.$34.3 billion budget for 2014. The draft budget, as presented, was approved by the National Assembly on November 20, 2014 and became effective on January 1, 2015.

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. The 2015 budget, as modified in January 2015, assumed an average crude oil price of U.S.$60 per barrel. The adjustments included a reduction of U.S.$839.8 million in investment expenditures and U.S.$580 million in current expenditures. The reductions were made primarily in the following sectors: national treasury (U.S.$276 million), education (U.S.$255 million), communications (U.S.$229 million), health (U.S.$169 million), agriculture and fishing (U.S.$100 million).

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. The adjustments reduced current expenses by U.S.$100 million and investment costs by U.S.$700 million. According to a statement by the Minister of Finance on August 19, 2015, the reduction in investment costs were for projects that could be deferred for later years and whose deferment will not affect the growth of the economy.

On October 31, 2015, the executive branch presented the 2016 draft budget to the National Assembly which proposed a budget of U.S.$29.8 billion for the year, a 17.9% decrease from the U.S.$36.3 billion originally proposed for the 2015 budget and a 12.4% decrease from the U.S.$34.1 billion adjusted budget for 2015. It assumed an average crude oil price of U.S.$35.00 per barrel, which represented a 56% decrease from the U.S.$79.70 per barrel average price that was assumed for the original 2015 budget. The 2016 draft budget also estimated that there would be a budget deficit equivalent to 2.4% of GDP and a GDP growth of 1%. Excluding financing, the initial 2016 draft budget provided for U.S.$25.7 billion in expenses, comprised of U.S.$8.8 billion in salaries and wages, U.S.$4.7 billion in consumer goods and services, U.S.$3.4 billion in capital transfers and donations, U.S.$4.4 billion in other investment expenses and U.S.$4.5 billion in other expenses. Total revenues under the 2016 draft budget were U.S.$23.2 billion, including U.S.$17.3 billion in taxes, rates and contributions, U.S.$4.8 billion in current transfers and donations and U.S.$1.2 billion in other revenues. The 2016 draft budget, as presented, was approved by the National Assembly on November 24, 2015 and became effective on January 1, 2016 (the "2016 Budget").

From time to time, the Ministry of Finance revises and adjusts the sources and uses of funds initially provided for in the draft budget. On March 3, 2016, the Minister of Finance announced that the 2016 Budget would be adjusted by approximately U.S.$800 million. The Minister specified that approximately U.S.$400 million would be reduced from investment and current expenses and that there would also be reductions to the budgets of the Autonomous Decentralized Governments. The Ministry of Finance made reductions in its estimates of revenue forecasts for non-petroleum revenue by U.S.$780 million, income tax by U.S.$507 million, value added tax by U.S.$818 million, and the Currency Outflow Tax by U.S.$209 million as compared to the original 2016 Budget revenue forecasts. In addition, while making reductions to permanent expenses by U.S.$203 million and wages and salaries by U.S.$284 million, the Ministry of Finance has increased its projected expenses for the provision of goods and services by U.S.$137 million and other non-permanent costs by U.S.$965 million, both as compared to the original 2016 Budget revenue forecasts.

For 2017, the Ministry of Finance's estimated projection for financing needs (both internal debt and external debt) is U.S.$12.56 billion. The Ministry of Finance estimates that approximately U.S.$6.43 billion will derive from international financing and approximately U.S.$6.13 billion from domestic financing. With respect to international financing, the Ministry of Finance expects that such financing may come from various sources, including drawdowns under existing loan facilities, new bilateral and multilateral lending facilities, bond issuances and other methods of providing liquidity that the Republic has previously utilized, such as oil sector related transactions, among others. With respect to domestic financing, the Ministry of Finance expects that such financing may derive from rollovers of existing debt, new placements by the Ministry of Finance and the Central Bank, certain projects and domestic operations. While the Ministry of Finance has expectations as to the approximate amounts to be derived from the various sources, such allocation is subject to market conditions as well as the policies of the new administration and such amounts and the use of the financing sources set forth in this paragraph is subject to change.

Pursuant to Article 295 of the 2008 Constitution, during a presidential election year, the national budget is to be presented for National Assembly approval within the first 90 days of the term of the next president. Accordingly, the 2017 Budget (the "2017 Budget") will be presented for National Assembly approval within the first 90 days of the term of the next president, which is scheduled to begin on May 24, 2017. In the interim period, Article 107 of the Public Planning and Finance Code provides that the total amount of the budget for the preceding year, which in this case is the 2016 Budget, as initially approved by the National Assembly, will be used as the provisional budget for 2017 until the 2017 Budget is approved. Article 118 of the Public Planning and Finance Code, grants the Ministry of Finance the authority to modify any approved budget in an amount up to 15% of any approved allocation. The Ministry of Finance has the authority to modify the 2016 Budget while it is being used as the provisional budget for 2017 and until the 2017 Budget is approved. Although the initial 2016 aggregate budget allocation of U.S.$ U.S.$29.8 billion remains while the 2016 budget operates as the provisional budget for 2017, there have been modifications to the budget allocation for each sector. The most important differences are in an increase to the budgeted amounts for the communications, social welfare and urban and housing development sectors and in a decrease to the budgeted amounts for the National Treasury Account as well as in decreases to the budgeted amounts for the natural resources and agricultural sectors.

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.$32,771.2 million as of December 31, 2015, compared to U.S.$30,140.2 million as of December 31, 2014, U.S.$22,846.7 million as of December 31, 2013, U.S.$18,652.3 million as of December 31, 2012 and U.S.$14,561.8 million as of December 31, 2011. Since October 2016, pursuant to Decree 1218, the consolidated methodology is the legal methodology in Ecuador to calculate public sector debt to GDP in Ecuador and is in accordance with the IMF methodology, the IMF GFS. 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.$27,886.0 million as of April 30, 2017, U.S.$22,623.8 million as of April 16, 2016, U.S.$26,811 as of December 31, 2016, U.S$21,273 million as of December 31, 2015, compared to U.S.$18,679 million as of December 31, 2014, U.S.$13,957 million as of December 31, 2013, and U.S.$11,526 million as of December 31, 2012. The increase in public sector debt from April 31, 2016 to April 31, 2017 was primarily due to disbursements of loans from the China Development bank, the issuance of the 2022 and 2026 bonds and the Republic's guarantee of the issuance of the Petroamazonas 2019 Notes and the Petroamazonas 2020 Notes. The ratio of total aggregate public sector debt to GDP increased from 32.7% as of December 31, 2015 to 39.6% as of December 31, 2016. The ratio of total public sector consolidated debt to GDP increased from 21.2% as of December 31, 2015 to 27.9% as of December 31, 2016. The ratio of total public sector consolidated debt to GDP increase from 22.1% as of April 30, 2016 to 27.7% as of April 30, 2017 and following the issuance of the Notes, it is estimated that the total public debt to GDP will be approximately 29.7% under the consolidation methodology. As of April 30, 2017, interest payments on all debt obligations represent approximately 0.75% of GDP.

During former President Correa's term, beginning in 2007, Ecuador changed the focus of its public debt. Ecuador now focuses on its relationships with Latin American-based multilateral entities and new bilateral partners, such as China. Ecuador has executed several loan agreements with China in the past seven years and continues to collaborate with long-time partners such as Spain and Brazil. In Latin America, Ecuador has strengthened ties with IDB, CAF, and FLAR.

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 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 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 executed by the Ministry of 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 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 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 as a mechanism to ensure that Ecuador does not reach the high levels of debt it had incurred before the Correa administration. The system of authorization through the Constitution and the Debt and Finance Committee, plus the 40% of debt to GDP consolidated 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. Upon the issuance of the Notes, the ratio of total consolidated public sector debt to GDP (including this issuance) will be 29.7%.

External Debt

The total external debt of the public sector in Ecuador was U.S.$25.68 billion as of December 31, 2016, compared to U.S.$20.23 billion as of December 31, 2015. U.S.$17.58 billion as of December 31, 2014, U.S.$12.92 billion as of December 31, 2013, and U.S.$10.87 billion as of December 31, 2012.

The increase in public sector external debt since December 31, 2012 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 and 2024 Bonds. The total external debt of the public sector in Ecuador as of April 30, 2017 was U.S.$26,908.2 million, an increase from U.S.$21,263.9 million as of April 30, 2016 due primarily to disbursements of loans from the China Development bank, the issuance of the 2022 and 2026 bonds and the Republic's guarantee of the issuance of the Petroamazonas 2019 Notes and the Petroamazonas 2020 Notes.

The following table sets forth information regarding Ecuador's public sector external debt as of dates indicated.

Public Sector External Debt

(by debtor, in billions of U.S. dollars at the end of the year, except percentages)

	As of December 31,					As of April 30,	
	2012	**2013**	**2014** [(1)]	**2015** [(2)]	**2016**[(3)]	**2016**	**2017**
Central Government	9.88	11.86	15.43	18.18	23.14	18.45	23.73
Public financial and non-financial entities	0.99	1.06	2.15	2.04	2.54	2.81	3.17
Total	**10.87**	**12.92**	**17.58**	**20.22**	**25.68**	**21,26**	**26.90**
External public debt as a percentage of nominal GDP[(4)]	12.4%	13.6%	17.2%	20.2%	26.7%	20.8%	26.7%

Source: Ministry of Finance April 2017 Bulletin.

(1) Includes the 2024 Bonds.

(2) Includes the 2024, 2020 Bonds.

(3) Includes the 2024, 2020, 2022 and 2026 Bonds.

(4) Includes the 2024, 2020, 2022 and 2026 Bonds. Calculated using Central Bank GDP data, except for April 2017 percentage which is calculated using estimates Ministry of Finance and the Central Bank.

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 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 billions of U.S. dollars)

	As of December 31,					As of April 30,	
	2012	2013	2014	2015	2016	2016	2017
Multilateral	5.87	6.01	6.56	7.93	8.25	7.33	8.29
Bilateral	3.87	5.75	6.15	6.42	8.00	6.20	7.90
Commercial and Bonds	1.13	1.16	4.88	5.87	9.43	4.90	10.70
Total Public Sector External Debt	**10.87**	**12.92**	**17.59**	**20.22**	**25.68**	**18.45**	**26.91**

Source: Ministry of Finance April2017 Bulletin.

The increase in bilateral debt of the Republic and public financial and non-financial entities from December 31, 2012 to December 31, 2016 was due mainly to new debt being obtained from bilateral lenders rather than from the international bond markets, following the repurchase by the Republic of the 2012 and 2030 Bonds. For more information see "Public Debt—Debt Obligations—2012 and 2030 Bonds and tender offer."

Total indebtedness owed to multilateral institutions was U.S.$8.29 billion as of April 30, 2017. Total indebtedness owed to multilateral institutions was U.S.$8.25 billion as of December 31, 2016. The Republic is current on all its obligations to multilateral institutions.

As of December 31, 2014, the top three bilateral lenders to Ecuador were China, Brazil and Spain, with debt levels of U.S.$5,074.4 million (63.7% of the total bilateral debt), U.S.$302.8 million (3.8% of the total bilateral debt) and U.S.$158.1 million (1.9% of the total bilateral debt), respectively.

As of December 31, 2015, the top three bilateral lenders to Ecuador continued to be China, Brazil and Spain, with debt levels of U.S.$5,295.4 million (85.4% of the total bilateral debt), U.S.$295.5 million (4.5% of the total bilateral debt) and U.S.$140.6 million (2.2% of the total bilateral debt), respectively.

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 (89.5% of the total bilateral debt), U.S.$227.7 million (2.92% of the total bilateral debt) and U.S.$133.4 million (1.71% of the total bilateral debt), respectively.

As of April 30, 2017, the top three bilateral lenders to Ecuador were China, Brazil, and Spain, with debt levels of U.S.$ 6,871.2 million (88.7 % of the total bilateral debt), U.S.$ 220.3 million (2.8 % of the total bilateral debt) and U.S.$ 167.9 million (2.2 % of the total bilateral debt), respectively.

As of April 30, 2016, the top three bilateral lenders to Ecuador were China, Brazil and Spain, with debt levels of U.S.$ 5,295.6 million (85.7% of the total bilateral debt), U.S.$ 295.5 million (4.8 % of the total bilateral debt) and U.S.$ 135.8 million (2.2 % of the total bilateral debt) respectively.

As of April 30, 2017, total indebtedness owed to multilateral institutions was U.S.$8,297.9 million and total indebtedness owed to bilateral entities was U.S.$7,905.8 million. The Republic is current on all of its obligations to bilateral lenders.

From 2010 to 2014, Ecuador has entered into three separate loan agreements with China Development Bank totaling U.S.$5 billion, 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, such as WTI plus or minus a spread, plus a premium paid due to the term of the contracts. The spread is calculated using Argus, a crude oil price assessment publication ("Argus") and 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 billion, was repaid in its entirety, at the end of its original four-year term. The second loan agreement, signed in

2011, totaling U.S.$2 billion, has an eight-year term. The third loan agreement, signed in 2012, totaling U.S.$1 billion, has an eight-year term.

On January 7, 2015, Ecuador entered into a memorandum of understanding with China Development Bank in connection with a loan of up to U.S.$1.5 billion. The proceeds of the loan under the memorandum of understanding were used for eligible infrastructure and development projects in Ecuador.

On April 29, 2016, Ecuador entered into a fourth loan agreement with China Development Bank for U.S.$2 billion with a maturity of eight years. The agreement was related to a multi-party contractual structure involving a crude oil delivery contract entered into with PetroChina.

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 Finance.

On December 22, 2016, Ecuador, acting through its Ministry of 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 IEES 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.

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.

In February 2017, Petroamazonas issued two tranches of notes guaranteed by Ecuador. Under the first tranche, Petroamazonas issued the Petroamazonas 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 the Petroamazonas 2020 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 Petroamazonas 2020 Notes sold the Petroamazonas 2020 Notes to subsequent purchasers in the international capital markets.

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.

On April 1, 2017, Ecuador entered into a U.S.$75 million loan with the French Development Agency ("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 7 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 Pichincha province.

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 April 30, 2017
Multilateral					
IBD	Variable	U.S.$	1966- 2016	2016-2049	4,651.3
CAF	Variable	U.S.$	2005- 2016	2016-2031	3,191.3
FLAR	Variable	U.S.$	2014	2017	154.4
Others [1]	Fixed, Variable	Euro, U.S.$	1968-2016	2016-2051	300.9
Total Multilateral Debt........					**8,297.9**
Bilateral					
China	Fixed, Variable	RMB, U.S.$	2010-2016	2019-2036	6,871.2
Brazil	Variable	U.S.$	2000-2013	2018-2023	220.3
Spain	Fixed	U.S.$	1987-2016	2016-2042	167.9
Italy	Fixed	Euro	1995-2015	2025-2047	3.8
Japan	Fixed, Variable	Yen	1988-2014	2018-2026	39.2
Others [2] [3]	Fixed, Variable	DEG, Won, Libra, Chf	1985-2015	2016-2053	603.4
Total Bilateral Debt........					**7,905.8**
Other Debt [4]					**10,704.5**
Total External Debt........					**26,908.2**

Source: Ministry of Finance as of April 2017.

(1) Other multilateral loans include loans with the International Fund for Agricultural Development and the *Banco Internacional de Reconstrucción y Fomento.*
(2) Includes amounts from loans from Paris Club members.
(3) Other bilateral lenders include South Korea, Germany, France, and the United States, among others.
(4) "Other debt" includes commercial debt and amounts owed under the 2030 Bonds, the 2020 Bonds, the 2022 Bonds, the 2024 Bonds, the 2026 Bonds and the Brady Bonds.

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

	At December 31, 2015		**At December 31, 2016**		**At April 30, 2017**	
	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%........	844.9	4.2%	982.2	3.8%	1,058.3	3.9%
3-5%........	249.0	1.2%	125.8	0.5%	232.7	0.9%
5-8%[1]........	8,005.0	39.6%	9,319.5	36.3%	8,983.7	33.4%
More than 8%[2]........	1,859.2	9.2%	4,624.1	18.0%	6,302.2	23.4%
Floating Rate........	9,267.1	45.8%	10,627.7	41.4%	10,331.3	38.4%
Total........	**20,225.2**	**100%**	**25,679.3**	**100%**	**26,908.2**	**100.0%**

Source: 2015 Figures from Ministry of Finance December 2015 Bulletin; 2016 Figures from Ministry of Finance December 2016 Bulletin; 2017 Figures from Ministry of Finance April 2017 Bulletin.

(1) Reflect the amounts under the 2024 Bonds
(2) Reflects the amounts under the 2015, 2020, 2022, 2026 and the 2030 Bonds.

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 2017-2027[1]
(in millions of dollars)
For the Year Ending December 31,

	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Central Government	**3,997**	**3,655**	**3,357**	**4,493**	**2,505**	**4,290**	**2,047**	**3,717**	**1,419**	**2,846**	**1,294**
Principal................	2,461	2,211	2,005	3,311	1,491	3,455	1,389	3,204	1,037	2,502	1,147
Interest..................	1,536	1,444	1,352	1,182	1,014	834	658	513	382	344	147
Rest of Public Sector	**668**	**1,005**	**951**	**484**	**258**	**185**	**161**	**142**	**123**	**111**	**88**
Principal................	498	851	838	407	204	138	120	106	92	84	65
Interest................	170	154	113	77	55	47	41	36	31	27	23
Total Debt Service	**4,665**	**4,660**	**4,308**	**4,976**	**2,764**	**4,474**	**2,207**	**3,859**	**1,543**	**2,957**	**1,382**

Source: Ministry of Finance as of April 2017

Internal Debt

The Government's internal debt consists of obligations to both public sector and private entities. Public sector aggregate internal debt increased from U.S.$7.78 billion as of December 31, 2012 to U.S.$12.55 billion as of December 31, 2015, due primarily to increased issuances of long and short-term government notes. Total public aggregate internal debt decreased by U.S.$0.09 billion from U.S.$12.55 billion in December 2015 to U.S.$12.46 billion in December 2016 because the amount of debt repaid at maturity exceeded the amount of debt incurred during this period. As of April 30, 2017, public sector aggregate internal debt was U.S.$13.93 billion, an increase from U.S.$12.92 billion as of April 30, 2016. As of April 30, 2017, public sector consolidated internal debt was U.S.$0.98 billion, a decrease from U.S.$1.36 billion as of April 30, 2016.

The following table sets forth the public sector internal debt for the periods presented.

Public Sector Internal Debt
(in billions of U.S. dollars, except percentage)

	As of December 31,					**As of April 30,**	
	2012	**2013**	**2014**	**2015**	**2016**	**2016**	**2017**
Central Government Notes	6.95	9.12	11.78	11.78	11.70	12,16	13,17
Governmental Entities [1]	0.83	0.80	0.78	0.77	0.76	0.76	0.76
Total[2]	**7.78**	**9.93**	**12.56**	**12.55**	**12.46**	**12.92**	**13.93**
Internal public debt as a percentage of nominal GDP[3]	8.8%	10.4%	12.3%	12.5%	12.9%	12.6%	13.9%

Source: Ministry of Finance April 2017 Bulletin

(1) Direct issuances backed by IESS and the Ecuadorian Development Bank. Government is the debtor under all internal debt issuances.

(2) Total public sector internal debt under the aggregation methodology.

(3) Calculated using Central Bank GDP data.

As of December 31, 2016, approximately 93.9% 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 Finance. As of December 31, 2016, approximately 6.1% of Ecuador's internal public indebtedness is held by Governmental Entities, such as IESS and the Ecuadorian Development Bank. The Ministry of Finance and the Central Bank entered into a short-term loan agreement of U.S.$516.0 million on March 31, 2017 in order to increase liquidity in the national economy. As of the date of this offering circular, the current outstanding amount of all such loans is approximately U.S.$ 5.2 billion.

On May 18, 2017, the Ministry of 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 Finance transferred Central Bank certificates ("Títulos del Banco Central") to Petroamazonas' primary vendors and service providers, in exchange for U.S.$150 million of accounts payable with such entities, satisfying Petroamazonas' obligations.

The Ministry of 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 Internal Debt
(in millions of U.S.$, except percentages)

	As of December 31,										As of April 30,	
	2012		2013		2014		2015		2016		2017	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Short-term notes	–	–	–	–	–	–	–	–	–	–	–	–
Long-term notes [1]	6,817	87.6	8,992	90.6	11,779	93.8	11,780	93.9	11,695	93.9	13,169	94.5
AGD notes [2]	133	1.7	133	1.3	–	–	–	–	–	–	–	–
CFN notes [3]	–	–	_	_	–	–	–	–	–	–	–	–
Total notes	**6,950**	**89.3**	**9,125**	**91.9**	**11,779**	**93.8**	**11,780**	**93.9**	**11,695**	**93.9**	13,169	**94.5**
Governmental Entities[4]	**830**	**10.7**	**802**	**8.1**	**780**	**6.2**	**767**	**6.1**	**762**	**6.1**	**766**	**5.5**
Total internal debt[5]	**7,780**	**100**	**9,927**	**100**	**12,559**	**100**	**12,547**	**100**	**12,457**	**100**	**13,935**	**100**

Source: Ministry of Finance April 2017.

(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) Direct issuances backed by IESS and the Ecuadorian Development Bank.

(5) Total public sector internal debt under the aggregation methodology.

Ecuador has not issued any short-term debt in 2017 (i.e with a maturity equal to or less than one year), and subject to market conditions, is not likely to issue any such debt in the future. 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.

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 modifies Article 135 of the Public Planning and Finance Code. Decree 1218 changes the methodology that the Ministry of Finance uses 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 has been exceeded. Under Decree 1218, the Ministry of Finance will now use 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. In contrast, the aggregation methodology, which the Ministry of 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 eliminates certain types of debt from the calculation and, by extension, reduces the amount of total public debt taken into account for purposes of the 40% total public debt to GDP ceiling. Following the enactment of Decree 1218, the Ministry of Finance has been in communication with the IMF with respect to methodologies used for measuring public debt.

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 consolidated public debt and total consolidated 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 April 30,	
	2012	**2013**	**2014**	**2015**	**2016**	**2016**	**2017**
Consolidated Total Debt	11,525.5	13,957.2	18,679.2	21,272.8	26,810.6(1)	22,623.81)	27,886.0
Consolidated Debt to GDP Ratio	13.1	14.7	18.3	21.2	27.9	22.1	27.7(2)

Source: Ministry of Finance April 2017 Bulletin

(1) December 2016 figures and March 2016 figures based on Ministry of Finance December 2016 and March 2016 Bulletin respectively.

(2) Based on Ministry of Finance estimate of projected GDP, which differs from look-back data from the Central Bank.

Decree 1218 does 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. Using the aggregation methodology, the total internal debt of Ecuador as of April 30, 2017 was U.S.$13.93 billion, compared with U.S.$12.92 billion as of April 30, 2016. This increase is primarily due to the increased issuance of government notes. Using the consolidation methodology, the total internal debt of Ecuador, as of April 30, 2017, was U.S.$0.98 billion, compared with U.S.$1.36 billion as of April 30, 2016. This decrease in internal debt under the consolidation methodology is primarily due to the repayment of certain bonds upon maturity. The U.S.$12.95 billion under the aggregation methodology figure for April 30, 2017 that is excluded from the equivalent consolidation methodology figure corresponds to obligations owed by the Ecuadorian government to governmental entities such as BIESS and IESS. 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.

According to the Ministry of Finance, following the issuance of the Notes and the application of proceeds, it is estimated that the Republic's total public debt to GDP will be approximately 29.7% under the consolidation methodology.

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 Bonds due 2012 (the "2012 Bonds") and U.S. dollar Denominated Step-Up Global Bonds due 2030 (the "2030 Bonds" together with the 2012 Bonds, the "2012 and 2030 Bonds") together with a cash payment for any and all of the Old Notes.

In December 2005, the Republic successfully launched an issuance of the 2015 Bonds. The use of the proceeds of the 2015 Bonds was to buy back certain of the 2012 Bonds in accordance with their terms. The Republic successfully repaid all principal and interest on the 2015 Bonds on December 15, 2015.

2012 and 2030 Bonds and tender offer

In 2008, Ecuador defaulted on its interest payments for the 2012 and 2030 Bonds in the aggregate amount of approximately U.S.$157 million and principal payments of approximately U.S.$3,200 million. The 2012 and 2030 Bonds 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 Bonds), 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 Bonds. In April 2009 and November 2009, the Republic launched tender offers, in cash, to holders of the 2012 and 2030 Bonds. Approximately 93.22% of the bonds 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 Bonds, Ecuador has since successfully repurchased additional 2012 and 2030 Bonds from remaining holders. As of the date hereof, the total aggregate amount of outstanding principal on the 2012 and 2030 Bonds is U.S.$52.1 million, which represents 1.6% of the original aggregate principal amount of the 2012 and 2030 Bonds.

On December 12, 2014, GMO Trust issued proceedings against the Republic in respect of an alleged U.S.$15,876,000 holding of the 2030 Bonds. GMO voluntarily withdrew its complaint pursuant to a settlement agreement between the parties. A stipulation dismissing the complaint was filed on March 16, 2015; under that stipulation, the case cannot be refiled.

On January 30, 2015, Daniel Penades issued proceedings against Ecuador in respect of an alleged U.S.$455,000 holding of 2030 Bonds. Ecuador was served with a notification of the claim on September 16, 2015. On January 15, 2016, Ecuador filed a motion to dismiss. On September 30, 2016, the United States District Court for the Southern District of New York granted Ecuador's January 15, 2016 motion to dismiss the Penades complaint and ordered the case closed. On October 27, 2016, Mr. Penades filed a notice of appeal with the Southern District of New York to the United States Court of Appeals for the Second Circuit. Thereafter, Mr. Penades duly filed the required standard forms to initiate the new appeal case.

On November 29, 2016 the United States Court of Appeals for the Second Circuit issued a notice stating that the appeal had been assigned to the Court's Expedited Appeals Calendar. On January 3, 2017, Mr. Penades submitted a brief in support of his position. Ecuador filed its brief in response on February 7, 2017. On February 7, 2017, Mr. Penades filed a motion requesting a time extension to file his reply brief by March 8, 2017. On February 8, 2017, the United States Court of Appeals for the Second Circuit granted Mr. Penades' motion. On February 23, 2017, the United States Court of Appeals for the Second Circuit scheduled the case for the week commencing May 1, 2017. On March 8, 2017, Mr. Penades filed his reply brief. On May 5, 2017, the case was submitted to the United States Court of Appeals for the Second Circuit for review. On May 17, 2017, the United States Court of Appeals for the Second Circuit entered a summary order affirming the judgment of the United States District Court for the Southern District of New York which granted Ecuador's motion to dismiss Mr. Penades' complaint.

2024 Bonds

On June 17, 2014, the Republic successfully issued U.S.$2 billion of Bonds due June 2024, with a coupon of 7.95% at 100% of the purchase price. The most recent interest payment on the 2024 Bonds, which was due on December 20, 2016, was paid by the Republic in accordance with the relevant indenture. The Republic is current on its financial obligations under the 2024 Bonds and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2024 Bonds to finance its various hydroelectric projects and other infrastructure projects contemplated in the National Development Plan.

2020 Bonds

On March 24, 2015, the Republic successfully issued U.S.$750 million of Bonds due March 2020 with a coupon of 10.50%, the Original 2020 Issuance, at 100% of the purchase price. The Republic reopened the Original 2020 Issuance on May 19, 2015 and successfully issued an additional U.S.$750 million of Bonds at a price of 107.789%, also due 2020. The most recent interest payment on the 2020 Bonds, which was due on March 24, 2017, was paid by the Republic in accordance with the relevant indenture. The Republic is current on its financial obligations under the 2020 Bonds and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2020 Bonds to finance the various hydroelectric projects and other infrastructure projects contemplated in the National Development Plan.

2022 Bonds

On July 28, 2016, the Republic successfully issued U.S.$1.0 billion of Bonds due 2022 with a coupon of 10.75%, the Original 2022 Issuance, at 100% of the purchase price. The Republic reopened the Original 2022 Issuance on September 30, 2016 and successfully issued an additional U.S.$ 1.0 billion of Bonds at a price of 100%, also due 2022. The Republic is current on its financial obligations under the 2022 Bonds and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2022 Bonds to finance its various hydroelectric projects and other infrastructure projects contemplated in the National Development Plan.

2026 Bonds

On December 13, 2016, the Republic successfully issued U.S.$750 million of Bonds due 2026 with a coupon of 9.650% at 100% of the purchase price. The Republic reopened the Original 2026 Issuance on January 13, 2016 and successfully issued an additional U.S.$ 1.0 billion of Bonds at a price of 103.364% also due 2026. The Republic is current on its financial obligations under the 2026 Bonds and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2026 bonds to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the related debt obligations and to (3) refinance an existing external debt obligation on more favorable terms.

Petroamazonas notes

In February 2017, Petroamazonas issued two tranches of notes guaranteed by Ecuador. Under the first tranche, Petroamazonas issued the Petroamazonas 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 the Petroamazonas 2020 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 Petroamazonas 2020 Notes sold the Petroamazonas 2020 Notes to subsequent purchasers in the international capital markets.

Other obligations

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 was 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 memorandum of understanding with China Development Bank in connection with a loan of up to U.S.$1.5 billion. The proceeds of the loan under the memorandum of understanding were to be used for eligible infrastructure and development projects in Ecuador. On the same date, Ecuador entered into a framework agreement for future cooperation with China Exim Bank. This agreement allows the Ministry of Finance to regularly submit priority lists of projects which it proposes to be financed by China Exim Bank, within three years of the date of the agreement. The initial priority list include 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, China Exim Bank, and China Minsheng Banking Corp., Ltd. The first tranche of U.S.$820 million was disbursed in February 2016. The facility was related to a multiparty contractual structure involving a crude oil delivery contract entered into with PetroChina. The credit has a term of five years.

In February 2016, the Republic entered into a U.S.$198 million loan agreement with China Exim Bank, to finance the first phase of Yachay. The loan agreement has a 3% interest rate and a term of 20 years.

On April 29, 2016, Ecuador entered into a fourth loan agreement with China Development Bank for U.S.$2 billion with a maturity of eight years. The agreement was related to a multiparty contractual structure involving a crude oil delivery contract entered into with PetroChina.

On July 15, 2016, Ecuador's Ministry of 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 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 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. The Republic intends to use the proceeds of the loan towards reconstruction efforts in those areas affected by the Pedernales Earthquake.

On November 17, 2016, the Republic, acting through its Ministry of Finance, entered into a 20-year, U.S.$102.6 million loan facility with China Exim Bank to be used to finance the survey, design and construction of the Santa Ana Aqueduct Hydraulic Stage One Project.

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 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 Trading International Pte Ltd ("PTT International"), pursuant to which Petroecuador will receive initial prepayments of $600 million shortly after signing for crude oil to be delivered to PTT International 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 will receive an initial prepayment of U.S.$300 million shortly after signing for fuel oil to be delivered to OTI during the 30-month term of the contract. 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.

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 Minister of Finance.

On December 22, 2016, Ecuador, acting through its Ministry of 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 IEES entered into a U.S.$25 million credit agreement with Consorcio NHQ with 50% of the total amount due 30 days from the date of execution of the agreement and the remaining 50% of the total amount due 24 months from the date of execution of the agreement.

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.

On April 1, 2017, Ecuador entered into a U.S.$75 million loan with the French Development Agency ("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 7 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 Pichincha province.

DESCRIPTION OF THE NOTES

In the following description, the 2023 Notes (as defined below) and the 2027 Notes (as defined below) are referred to individually as a "Series of Notes" and together as the "Notes".

Ecuador will issue the Notes under 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 each applicable Series of 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. 011 dated May 30, 2017.

Basic Terms of the 2023 Notes

The 2023 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 Excluded Indebtedness), provided, that, such ranking is in terms of priority only and does not require that Ecuador make ratable payments on the 2023 Notes with payments made on its other External Indebtedness;

- be initially issued in an aggregate principal amount of U.S.$1,000,000,000 of 8.750% Notes due 2023 (the “2023 Notes”);

- mature at par on 2023 (subject to any Optional Redemption, prepayment or repurchase);

- be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof;

- be 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; and

- be redeemable at the option of Ecuador (see “Optional Redemption”).

Interest on the 2023 Notes

Interest on the 2023 Notes will:

- accrue at the rate of 8.750% per annum;

- accrue from and including the date of issuance or the most recent payment date;

- be payable in arrears on June 2 and December 2 of each year, commencing on December 2, 2017;

- 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.

Basic Terms of the 2027 Notes

The 2027 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 Excluded Indebtedness), provided, that, such ranking is in terms of priority only and does not require that Ecuador make ratable payments on the 2027 Notes with payments made on its other External Indebtedness;

- be initially issued in an aggregate principal amount of U.S.$1,000,000,000 of 9.625% Notes due 2027 (the "2027 Notes");

- mature at par on 2027 (subject to any Optional Redemption, prepayment or repurchase);

- be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof;

- be 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; and

- be redeemable at the option of Ecuador (see "Optional Redemption").

Interest on the 2027 Notes

Interest on the 2027 Notes will:

- accrue at the rate of 9.625% per annum;

- accrue from and including the date of issuance or the most recent payment date;

- be payable in arrears on June 2 and December 2 of each year, commencing on December 2, 2017;

- 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 each Series of Notes by wire transfer of immediately available funds to the London Paying Agent on the Business Day prior to each scheduled payment date. The London 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 a Series of Notes are held in global form, the London Paying Agent will make such payments applicable to such Series of Notes to Euroclear or Clearstream or its nominee, as the registered owner of such Series of Notes, by check or wire transfer in immediately available funds. Euroclear or Clearstream will distribute the funds it receives from the London Paying Agent to beneficial holders of such Series 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 each Series of 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 applicable Series of 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, the London Paying Agent or the initial purchaser 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 London 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 that Ecuador pays to the London 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. Ecuador will hold the money in trust for the relevant holders until six 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 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 applicable Series of 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 London 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, 2002 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- a Note has been 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 that 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. 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 in connection with the enforcement of Ecuador's obligations under the Notes 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 not less than 30 days nor more than 60 days' notice to the holders of a Series of Notes, to redeem such Series of Notes, in whole or in part, at any time or from time to time prior to their maturity, at a redemption price 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 (exclusive of interest accrued 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”).

On and after the redemption date, unless there is a default in the payment of amounts due, interest will cease to accrue on the applicable Series of Notes or any portion of the Notes called for redemption. If less than all of a Series of Notes are to be redeemed, the Notes to be redeemed from the applicable Series of Notes shall be selected on a *pro rata* basis, selected by lot or by such method as the Trustee shall deem fair and appropriate (subject to the procedures of Euroclear and Clearstream).

“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 from the redemption date to the maturity date of the Notes to be redeemed 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 from the redemption date to the maturity 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 below), 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. 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 to be able to make all payments to be made by it under the Notes and the Indenture;

2. ensure that at all times its obligations under the Notes are general, direct, unsecured, unsubordinated and unconditional obligations of Ecuador and shall be backed by the full faith and credit of Ecuador and ensure that the Notes shall rank equally in terms of priority with Ecuador's External Indebtedness (other than 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;

3. use its reasonable best efforts to list and thereafter to maintain the listing of the Notes on the Luxembourg Stock Exchange; and

4. 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.

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 the equivalent in other currencies) to collateralize, or to purchase collateral, guarantees or other credit support in respect of, new borrowings by Ecuador, provided that, to the extent that in any calendar year U.S.$50,000,000 (or the equivalent in other currencies) exceeds such aggregate fair market value of the assets, revenues or receivables so encumbered during that year, the aggregate fair market value of assets, revenues and receivables which may be encumbered in subsequent calendar years shall be increased by the amount of such excess; provided, however, that the fair market value of the assets, revenues or receivables so encumbered in any calendar year shall in no event exceed U.S.$150,000,000 (or the equivalent in other 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 applicable Series of Notes:

1. *Non-Payment*: Ecuador fails, after the applicable payment date, to (i) make any payment of principal or Make-Whole Amount on the applicable Series of Notes (unless such non-payment is due to an administrative or technical error and is remedied within 5 Business Days of the date when such payment is due) or (ii) make any payment of an interest amount or Additional Amount on the applicable Series of Notes within 30 days of the date when such payment is due;

2. *Breach of Other Obligations*: Ecuador fails to perform or comply with any other obligation under the applicable Series of 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 aggregate principal amount of the applicable Series of Notes then outstanding regarding that default;

3. *Cross Default*:

   - Ecuador fails to make any payment in respect of any External Indebtedness (other than 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);

   - The holders of at least 25% of the aggregate outstanding principal amount of any External Indebtedness (other than 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 Ecuador's failure to pay the principal or interest on 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 moratorium with respect to the payment of principal of, or interest on, Ecuador's External Indebtedness (other than Excluded Indebtedness);

5. *Validity*: Ecuador denies, repudiates or contests any of its payment 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 applicable Series of Notes or to perform any of its obligations under the applicable Series of Notes or the Indenture;

6. *IMF Membership*: Ecuador fails to maintain its membership in the IMF or ceases to be eligible to use resources of 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 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 such judgment; or

9. *Arbitral award*: There shall be made against the Republic or the Central Bank in a matter related to External Indebtedness (other than 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.

If any of the above 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 applicable Series of Notes, will declare the principal amount of all the applicable Series of Notes to be immediately due and payable by notifying Ecuador in writing. The applicable Series of 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 the applicable Series of Notes have been cured or waived by the holders of not less than a majority of the principal amount of the outstanding applicable Series of Notes as provided in the applicable Series of Notes or in the Indenture.

The Trustee will, on behalf of the holders of all of the applicable Series of Notes, by written notice to Ecuador, 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 a majority of the principal amount of the outstanding applicable Series of Notes or remedied; and

- the Trustee will have been reimbursed or otherwise compensated by Ecuador for all documented costs, expenses and liabilities reasonably incurred by the Trustee as a result of any such event of default.

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 a Series of Notes may be made or given pursuant to a written or other action of the holders of the applicable Series of Notes in accordance with the applicable provisions of the Indenture or such Series of Notes.

Each Series of Notes contain collective action clauses regarding future Modifications, as defined under "—Certain Defined Terms" below, of the terms and conditions of such Series of Notes or the Indenture as described below:

In the case of any Modification of the terms and conditions of a single Series of Notes 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 such Series of Notes then outstanding.

In the case of any Modification of the terms and conditions of a single Series of 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 such Series of Notes then outstanding.

Additionally, the Notes allow Ecuador to make Reserved Matter Modifications affecting two or more series of debt securities.

If the Republic proposes any Reserved Matter Modification (i) to the terms and conditions of a Series of Notes and the terms and conditions of at least one other series of debt securities issued by the Republic (including the other Series of Notes), and/or (ii) to the Indenture insofar as it affects a Series of 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 (including the other series of Notes) 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 a Single Series of Notes and the terms and conditions of at least one other series of debt securities issued by the Republic (including the other Series of Notes), and/or (ii) to the Indenture insofar as it affects a Single Series of 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 (including the other Series of Notes) 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.

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 a Series of Notes and any affected series of debt securities which are to be aggregated with such Series of 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 such Series of 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 applicable Series of 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 Issuer, 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 debt securities of one or more series for new debt instruments of Ecuador or any other person, Ecuador shall ensure that the relevant provisions of the applicable Series of Notes, as amended by such Modification, are no less favorable to the holders of such Series of 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 a Series of Notes pursuant to the Modification provisions of the Indenture or of the terms and conditions of such Series of Notes will be conclusive and binding on all holders of such Series of 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 such Series of Notes (whether or not notation of such Modification is made upon such Series of 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 such Series of 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 of the applicable Series 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 of the applicable Series that the Trustee knows to be so owned shall be so disregarded. Upon request of the Trustee, and together with any request for any Modification of the Indenture by Ecuador, Ecuador shall deliver to the Trustee a certificate signed by an authorized representative of Ecuador listing all Notes of the applicable Series, 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 a Series of Notes, amend such Series of Notes or the Indenture for the purpose of:

- adding to Ecuador's covenants for the benefit of the holders of such Series of Notes;
- surrendering any of Ecuador's rights or powers;
- securing such Series of Notes pursuant to the requirements of such Series of Notes or otherwise;
- curing any ambiguity, or curing, correcting or supplementing any proven error in the terms and conditions of such Series of Notes or in the Indenture;
- making any formal, minor or technical change; or
- amending the terms and conditions of such Series of Notes or the Indenture in any manner which Ecuador and the Trustee may determine shall not adversely affect the interests of any holder of such Series of 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 "Settlement and Clearance" for a description of the procedures applicable to book-entry securities.

The Trustee shall not be required to sign any amendment that adversely affects its rights, duties, liabilities or immunities.

Definitive Notes

Ecuador will issue a Series of Notes in definitive form (i.e. not in book-entry but physical form) only if:

- the depositary for such Series of 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;
- Ecuador decides that it no longer wishes to have all or part of such Series of Notes represented by global notes;
- 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 such Series of Notes and has been advised by its legal counsel that it should obtain possession of such Series of Notes for purposes of the proceeding;
- an event of default has occurred under such Series of Notes and is continuing and (A) any holder requests the Trustee to exchange its interest in such Series of in the form of a Global Note for a Definitive Note, or (B) 25% of all outstanding holders of such Series of Notes direct the Trustee to exchange all Notes of such Series represented by global notes for Notes in definitive form; 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 such Notes, set forth in the applicable Note certificates.

Trustee, London Paying Agent, Luxembourg Listing Agent, Transfer Agents; Registrar

The Bank of New York Mellon, London Branch will serve as the London paying agent and the Trustee will serve as the transfer agent and registrar for the benefit of the holders of Notes. The Republic, acting for the exclusive benefit of the holders of the Notes, may also appoint, one or more 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. With respect to each Series of Notes, so long as any of the Notes of such Series remain outstanding, there shall be maintained, at Ecuador's expense, (1) in London, England in an office or agency where the Notes of such Series may be presented for payment, (2) in New York, New York in an office or agency where the Notes of such Series may be presented for exchange, transfer and registration of transfer as provided in the Indenture and, (3) in New York, New York in an office or agency where notices and demands in respect of the Notes of such Series or the Indenture may be served. 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 of a Series of Notes are listed on the Luxembourg Stock Exchange and trade on the Euro MTF Market, and 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 a Series of Notes will be published, at the expense of Ecuador, in the Wall Street Journal of New York, New York, the Financial Times of London, England, and, if and so long as such Series of Notes are listed on the Luxembourg Stock Exchange (and, if applicable, traded on the Euro MTF Market of the Luxembourg Stock Exchange), the Luxemburger Wort of Luxembourg. 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 to make any publication of any notice in the manner provided above, any other publication or other notice which is acceptable to the Trustee shall constitute a sufficient publication of such notice. Notices will also be published on the website of the Luxembourg Stock Exchange. 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 or sent in accordance with the clearing system’s then applicable procedures. Notices to holders of Global Notes shall be given in accordance with the Depositary 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 applicable Series of 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.

Further Issues of Securities

Ecuador may, from time to time, without the consent of the holders of a Series of Notes, create and issue additional Notes with the same terms and conditions as such Series of Notes in all respects (or in all respects except for the amount of the first interest payment and the issue price) so long as such additional Notes are consolidated and form a single series with the outstanding Series of Notes, provided that such additional Notes do not have, for purposes of US federal income taxation, a greater amount of original issue discount than the outstanding Series of Notes have as of the date of the issue of such additional Notes (regardless of whether any holders of such Notes are subject to US federal income taxation).

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 a Series of Notes, including any dispute as to the existence, validity, interpretation, performance, breach, termination or consequences of the nullity of the Indenture or such Series of 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. 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 as the Republic's agent under the Indenture or a Series of 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 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 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.

Sovereign Immunity

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 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 a Series of 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 a Series of Notes and pay the Trustee on demand for the benefit of the holders of such Series of Notes any attached amounts plus any accrued amounts to the date of payment at the interest rate set forth in such Series of 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 such Series of 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 Ecuador under the Indenture and the Notes. If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum due hereunder in U.S. dollars into another currency, Ecuador 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 Ecuador in respect of any sum due to any noteholder 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 noteholder 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, Ecuador 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.

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 are required or authorized by law to be closed.

- "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 applicable Series of 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.

- "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%.

- "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 applicable Series of 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 applicable Series of Notes;

  B. reduce the principal amount of the applicable Series of Notes, the portion of such principal amount which is payable upon acceleration of the maturity of the applicable Series of Notes, the interest rate on the applicable Series of Notes or the premium payable upon redemption of the applicable Series of Notes;

  C. change the coin or currency in which payment of interest, premium or principal in respect of the applicable Series of Notes is payable and the place where such payment must be made;

  D. reduce the proportion of the principal amount of the applicable Series of 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 applicable Series of Notes;

  E. change Ecuador's obligation to pay Additional Amounts on the applicable Series of Notes;

  F. change the governing law provision of the applicable Series of Notes;

  G. change the arbitral forum to which the Republic has submitted, the Republic's waiver of immunity, the scope of the Republic's indemnities in the Indenture 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 applicable Series of Notes;

  H. change the seniority of the applicable Series of Notes;

  I. authorize and/or instruct the Trustee, on behalf of all holders, to exchange or substitute all their Notes of the applicable Series of Notes for, or convert all their Notes of the applicable Series of Notes into, other obligations or securities of Ecuador or any other person; or

  J. change the definition of “Uniformly Applicable” or “Reserved Matter.”

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.

SUBSCRIPTION AND SALE

Citigroup Global Markets Limited is acting as the Lead Manager (the "Lead Manager") of this offering. Subject to the terms and conditions in the purchase agreement dated the date of this Offering Circular (the "Purchase Agreement"), the Lead Manager will agree to purchase and the Republic will agree to sell to the Lead Manager, the total principal amount of the Notes.

The Purchase Agreement provides that the obligations of the Lead Manager to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Lead Manager must purchase all the Notes if it purchases any of the Notes.

The Republic has been advised that the Lead Manager proposes to resell the Notes at the offering price set forth on the cover page of this Offering Circular within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule l44A and outside the United States in reliance on Regulation S. See "Transfer Restrictions." The price at which the Notes are offered may be changed at any time without notice.

The Notes have not been and will not be registered under the Securities Act or any state securities law and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

Accordingly, the Lead Manager has agreed that, except as permitted by the Purchase Agreement and set forth in "Transfer Restrictions," it will not offer or sell the Notes within the United States or to, or for the account or benefit of, U.S. persons as part of the distribution of the Notes.

In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule l44A.

Although application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to have the Notes trade on the Euro MTF Market, the listing does not assure that a trading market for the Notes will develop. The Lead Manager intends to make a secondary market for the Notes. However, it is not obligated to do so and may discontinue making a secondary market for the Notes at any time without notice. No assurance can be given as to how liquid the trading market for the Notes will be. The Republic cannot provide any assurances that the prices at which the Notes will trade in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering.

The Republic estimates that its portion of the total expenses of this offering, including underwriter's fees, will be U.S$6.5 million.

In connection with the offering, the Lead Manager may purchase and sell Notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases.

- Short sales involve secondary market sales by the Lead Manager of a greater number of Notes than it is required to purchase in the offering.

- Covering transactions involve purchases of Notes in the open market after the distribution has been completed in order to cover short positions.

- Stabilizing transactions involve bids to purchase Notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the Lead Manager for its own account, may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The Lead Manager may conduct these transactions in the over-the-counter market or otherwise. If the Lead Manager commences any of these transactions, it may discontinue them at any time.

The Lead Manager is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Lead Manager and its respective affiliates have in the past performed commercial banking, investment banking and advisory services for the Republic from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for the Republic in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of its various business activities, the Lead Manager and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own accounts and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve the Republic’s securities and instruments.

The Republic has agreed to indemnify the Lead Manager against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Lead Manager may be required to make because of any of those liabilities.

Selling Restrictions

United States of America

No registration under Securities Act

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Notes are being offered, sold or delivered only: (a) outside the United States in offshore transactions in reliance on Regulation S and (b) in the United States only to QIBs in connection with resales by the Lead Manager, in reliance on, and in compliance with, Rule 144A. In addition, until 40 days after the commencement of the offering, an offer or sale of any of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A.

Canada

The distribution of the Notes in Canada is being made only on a private placement basis exempt from the requirement that the Republic prepare and file a prospectus with the applicable securities regulatory authorities. The Republic is not a reporting issuer in any province or territory in Canada and its Notes are not listed on any stock exchange in Canada and there is currently no public market for the Notes in Canada. The Republic currently has no intention of becoming a reporting issuer in Canada, filing a prospectus with any securities regulatory authority in Canada to qualify the resale of the Notes to the public, or listing its securities on any stock exchange in Canada. Accordingly, to be made in accordance with securities laws, any resale of the Notes in Canada must be made under available statutory exemptions from registration and prospectus requirements or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Canadian purchasers are advised to seek legal advice prior to any resale of the Notes.

Each Canadian purchaser who purchases Notes on a private placement basis pursuant to this Canadian offering circular will be deemed to have represented to and agreed with the Republic and the Lead Manager that such purchaser: (i) is entitled under applicable securities laws to purchase such Notes without the benefit of a prospectus qualified under such securities laws; (ii) is resident in Canada; (iii) is not a U.S. person as defined in Rule 902 of Regulation S under the U.S. Securities Act of 1933; (iv) is purchasing the Notes with the benefit of the prospectus exemption provided by Section 2.3 of National Instrument 45-106 – Prospectus and Registration Exemptions ("NI 45-106") (that is, such purchaser is an "accredited investor" within the meaning of NI 45-106 and is either purchasing Notes as principal for its own account, or is deemed to be purchasing the Notes as principal for its own account in accordance with applicable securities laws); (v) if not an individual, the purchaser was not created or used solely to purchase or hold Notes as an accredited investor under NI 45-106; (vi) is a permitted client within the meaning of National Instrument 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations; and (vii) if required by applicable securities laws or stock exchange rules, the purchaser will execute, deliver and file or assist the Republic in obtaining and filing such reports, undertakings and other documents relating to the purchase of the Notes by the purchaser as may be required by any securities commission, stock exchange or other regulatory authority.

European Economic Area

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of notes described in this offering memorandum may not be made to the public in that relevant member state other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;

- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of securities shall require the Issuer or the Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For purposes of this provision, the expression an "offer of securities to the public" in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant member state) and includes any relevant implementing measure in the relevant member state. The expression 2010 PD Amending Directive means Directive 2010/73/EU.

The sellers of the notes have not authorized and do not authorize the making of any offer of notes through any financial intermediary on their behalf, other than offers made by the Initial Purchaser with a view to the final placement of the notes as contemplated in this offering memorandum. Accordingly, no purchaser of the notes, other than the Initial Purchaser, is authorized to make any further offer of the notes on behalf of the sellers or the Initial Purchaser.

United Kingdom

The Lead Manager has represented, warranted and agreed that:

(a) ***Financial promotion***: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (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 Republic; and

(b) ***General compliance***: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa ("CONSOB") pursuant to Italian securities legislation. The Lead Manager represents and agrees that any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in the Republic of Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

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

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (the "Banking Law") (in each case as amended from time to time);

(b) in compliance with Article 129 of the Banking Law and the implementing guidelines of the Bank of Italy, as amended; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Switzerland

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland, as such term is used under the Swiss Code of Obligations, and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Notes constitutes an Offering Circular as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing Offering Circular within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland and neither this Offering Circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland, as such term is used under the Swiss Code of Obligations.

Singapore

This Offering Circular has not been registered as an Offering Circular with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore (the "SFA") and accordingly, the Notes may not be offered or sold, nor may the Notes be the subject of an invitation for subscription or purchase, nor may this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Notes be circulated or distributed, 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 (iii) any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased in reliance on an exemption under Sections 274 or 275 of the SFA, the Notes may not be sold within the period of six months from the date of the initial acquisition of them, except to any of the following persons:

(a) an institutional investor (as defined in Section 4A of the SFA);

(b) a relevant person (as defined in Section 275(2) of the SFA); or

(c) any person pursuant to an offer referred to in Section 275(1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore (the “SFR”).

Where the Notes are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

(a) 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

(b) 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; or

(c) the shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

    (1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than $200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;

    (2) where no consideration is or will be given for the transfer;

    (3) where the transfer is by operation of law;

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

    (5) as specified in Regulation 32 of the SFR.

Hong Kong

The Lead Manager has represented and agreed that:

(1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("SFO") and any rules made under the Ordinance; or (b) in other circumstances which do not result in the document being an "Offering Circular" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(2) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or ready by, the public of Hong Kong (except if permitted to do so under the securities 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" as defined in the SFO and any rules made under that Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, the Lead Manager has undertaken that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

United Arab Emirates (excluding the Dubai International Financial Centre)

The Lead Manager has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

The Lead Manager has acknowledged that the information contained in this Offering Circular does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law 8 of 1984 (as amended)) or otherwise and is not intended to be a public offer and the information contained in this Offering Circular is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates.

Dubai International Financial Centre

The Lead Manager has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "DFSA"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Qatar

The Lead Manager has represented and agreed that it has not offered, sold or delivered and will not offer, sell, or deliver, directly or indirectly, any Notes in Qatar, except: (a) in compliance with all applicable laws and regulations of Qatar; and (b) through persons or corporate entities authorized and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar.

This Offering Circular has not been reviewed or approved by or registered with the Qatar Exchange, the Qatar Central Bank or the Qatar Financial Markets Authority. This Offering Circular is strictly private and confidential and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient thereof.

Chile

Neither the Republic nor the Notes are registered in the Securities Registry (*Registro de Valores*) or the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the Chilean Securities and Insurance Commission (*Superintendencia de Valores y Seguros de Chile*), or SVS, or is subject to the control and supervision of the SVS. As unregistered securities, the Republic is not required to disclose public information about the Notes in Chile. The Notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry. The Notes may only be offered in Chile in circumstances that do not constitute a public offering under Chilean law or in compliance with General Rule No. 336 of the SVS. Pursuant to General Rule No. 336. The Notes may be privately offered in Chile to certain “qualified investors” identified as such therein (which in turn are further described in General Rule No. 216, dated June 12, 2008, of the SVS).

This Offering Circular and other offering materials relating to the offer of the Notes do not constitute a public offer of, or an invitation to subscribe for or purchase, the Notes in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (*Ley de Mercado de Valores*) (an offer that is not addressed to the public at large or to a certain sector or specific group of the public).

General

No action has been taken by the Republic or by the Lead Manager that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required.

Accordingly, the Lead Manager has undertaken that it will not, directly or indirectly offer or sell any Notes or distribute or publish any offering circular, this Offering Circular, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

Global Notes

Each Series of Notes will initially be issued in the form of two registered notes in global form (which Ecuador 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 Ecuador 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 Ecuador refers to in this Offering Circular as the Regulation S Global Notes).

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 Ecuador refers to in this Offering Circular as the "Euroclear participants") or persons who have accounts with Clearstream (which Ecuador 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 participants designated by the Lead Manager; 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 physical certificated 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 Issuer 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 Trustee, any agent or the Lead Manager 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, including the Lead Manager; 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 physical, certificated 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.

Certificated Notes

Notes in physical, certificated 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 the registered holder of the Global Note requesting exchange of a specified amount for individual note certificates following a failure to pay at maturity or upon acceleration of any Note.

TRANSFER RESTRICTIONS

The Notes are subject to the following restrictions on transfer. By purchasing Notes, each prospective investor will be deemed to have made the following acknowledgments, representations to and agreements with the Republic and the Lead Manager:

(1) Each prospective investor acknowledges that:

- the Notes have not been registered under the Securities Act or any other securities laws and 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 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) Each prospective investor represents that it is not an affiliate (as defined in Rule 144 under the Securities Act) of the Republic, that it is not acting on the Republic's behalf and that either:

- it is a qualified institutional buyer (as defined in Rule 144A) and is purchasing Notes for its own account or for the account of another qualified institutional buyer, and it is aware that the Lead Manager is selling the Notes to it in reliance on Rule 144A; or

- it is 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, other than a distributor, and it is purchasing Notes in an offshore transaction in accordance with Regulation S.

(3) Each prospective investor acknowledges that neither the Republic nor the Lead Manager nor any person representing the Republic or the Lead Manager has made any representation to such prospective investor with respect to the Republic or the offering of the Notes, other than the information contained in this Offering Circular. Each prospective investor represents that it is relying only on this Offering Circular in making its investment decision with respect to the Notes. Each prospective investor agrees that it has had access to such information concerning the Republic and the Notes as it has deemed necessary in connection with its decision to purchase Notes, including an opportunity to ask questions of and request information from the Republic.

(4) Each prospective investor represents that it is purchasing Notes for its own account, or for one or more investor accounts for which it is 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 any requirement of law that the disposition of its property or the property of that investor account or accounts be at all times within its or their control and subject to its or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from the registration requirements of the Securities Act. Each prospective investor agrees on its own behalf and on behalf of any investor account for which it is purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that until the end of the applicable resale restriction period pursuant to Regulation S or Rule 144, the Notes may be offered, sold or otherwise transferred only:

(a) to the Republic;

(b) under a registration statement that has been declared effective under the Securities Act;

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

(d) pursuant to Regulation S; or

(e) 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 or such account's control.

Each prospective investor also acknowledges that:

- the Republic and the Trustee reserve the right to require, in connection with any offer, sale or other transfer of Notes before the applicable resale restriction period ends pursuant to Regulation S or Rule 144 under clauses (d) and (e) above, the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Republic and the Trustee;

- Notes (other than those issued outside the United States pursuant to Regulation S) will, until the expiration of one year from the original issuance date of the Notes (or such other date as specified in Rule 144 or as specified in another applicable exemption under the Securities Act), unless otherwise agreed by us and the holder thereof, bear a legend substantially to the following effect:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) TO THE ISSUER OF THIS NOTE, (II) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (III) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 AND RULE 904 UNDER THE SECURITIES ACT, (IV) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (II) THROUGH (V) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

BY ACCEPTANCE OF THIS NOTE BEARING THE ABOVE LEGEND, WHETHER UPON ORIGINAL ISSUANCE OR SUBSEQUENT TRANSFER, EACH HOLDER OF THIS NOTE ACKNOWLEDGES THE RESTRICTIONS ON THE TRANSFER OF THESE NOTES SET FORTH ABOVE AND AGREES THAT IT SHALL TRANSFER THIS NOTE ONLY AS PROVIDED HEREIN AND IN THE INDENTURE.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ON SATISFACTION OF THE CONDITIONS SPECIFIED IN THE INDENTURE.

- Notes issued outside the United States pursuant to Regulation S will, unless otherwise agreed by us and the holder thereof, bear a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY IN ANY JURISDICTION AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE INDENTURE AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT.

Each prospective investor acknowledges that the Republic, the Trustee, any agent, the Lead Manager and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. Each prospective investor agrees that if any of the acknowledgments, representations or agreements such prospective investor is deemed to have made by its purchase of Notes is no longer accurate, it will promptly notify the Republic and the Lead Manager. If any prospective investor is purchasing any Notes as a fiduciary or agent for one or more investor accounts, such prospective investor represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the above acknowledgments, representations and agreements on behalf of each account.

TAXATION

Ecuador Taxation

The following is a general discussion of Ecuadorian tax considerations. The discussion is based upon the tax laws of Ecuador 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, Ecuador.

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 and investors holding Notes as a position in a "straddle," "conversion transaction," or "constructive sale" transaction). 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 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 not 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, foreign or other tax laws.

U.S. Holders

Payments of Interest and Additional Amounts

Ecuador 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 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.

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. 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.

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 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). Any amount attributable to accrued but unpaid interest on the Notes generally will be treated in the same manner as payments of interest, as described above under "—Payments of Interest and Additional Amounts."

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 "United States person;"

- a controlled foreign corporation for U.S. federal income tax purposes;

- 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 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 Lead Manager by Pérez Bustamante & Ponce, Ecuadorian counsel to the Lead Manager, and by Clifford Chance US LLP, U.S. counsel to the Lead Manager. 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 Finance of the Republic, and Clifford Chance US LLP will rely upon the opinion of Pérez Bustamante & Ponce.

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 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 Lead Manager has confirmed that the provision of the legal opinion from the *Coordinador General Jurídico* of the Ministry of 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 common codes for the Regulation S Global Note and the Restricted Global Note corresponding to the U.S.$1,000,000,000 8.750% Notes due 2023 are 162676873 and 162676865, respectively, and the International Securities Identification Numbers for the Regulation S Global Note and the Restricted Global Note corresponding to the U.S.$1,000,000,000 8.750% Notes due 2023 are XS1626768730 and XS1626768656, respectively. The common codes for the Regulation S Global Note and the Restricted Global Note corresponding to the U.S.$1,000,000,000 9.625% Notes due 2027 are 162653032 and 162652915, respectively, and the International Securities Identification Numbers for the Regulation S Global Note and the Restricted Global Note corresponding to the U.S.$1,000,000,000 9.625% Notes due 2027 are XS1626530320 and XS1626529157, respectively.

2. The Republic has obtained all necessary consents, approvals and authorizations in the Republic of Ecuador 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. 011 dated May 30, 2017.

3. The Republic is involved in certain litigation and administrative arbitration proceedings. See "Legal Proceedings."

4. On November 23, 2016, Moody's Investors Service affirmed the Republic's long-term Government bond ratings at "B3" with a "stable outlook." On September 30, 2016, Standard & Poor's Ratings Services affirmed the Republic's foreign long-term issuer rating at "B" with a "stable outlook." On September 6, 2016, the Republic's long-term foreign currency issuer default rating by Fitch Ratings was affirmed at "B," but the rating outlook was revised from "stable" to "negative."

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.

5. 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 and transfer agent in Luxembourg.

6. 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 in Luxembourg 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) copies of the 2008 Constitution, and the Legislative Decrees of the Republic referred to in paragraph 2 above (in Spanish); and

(d) copies of the Republic's consolidated public sector fiscal accounts for the last calendar year (as and when available in English).

7. Other than as disclosed herein, including information that has been updated as of May 30, 2017, 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.

8. 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

$ v
1995 Settlement 80
2008 Constitution 1
2012 and 2030 Bonds 137
2015 Bonds 12
2017 Budget 11
2017 Election 1
2020 Bonds 12
2022 Bonds 12
2024 Bonds 12
2026 Bonds 13
AGD 83
Agency for the Quality Assurance of Agriculture of Ecuador 5
ALADI 47
ALBA 47
APM 85
ATP-DEA 48
Autonomous Decentralized Governments 53
Banco de Desarrollo del Ecuador B.P. 103
Banking Law 163
BDH 76
BIESS 77
BNF 6
bpd 4
Brady Bonds 136
Brady Plan 136
BSA 112
Burlington 35
Business Day 157
CAF 3
CAIC 30
Canacol 65
CELAC 46
Center for Arbitration and Mediation of Quito Chamber of Commerce 85
Central Bank v
Central Government 123
CEREPS 53
CETES 55
CFI 86
CIF v
Civil Procedure Code 58
Clearstream participants 167
CNPC 66
Combined Board of Disputes 85
Committee of Monetary and Financial Policy Regulation 9
Committee on Foreign Trade 95
Community of Andean Nations 47
Comprehensive Law of Redistribution of Income for Social Expenditures 56, 126
CONSEP 48
CONSOB 163
Consolidation Decree 62
Constitutional Court 1
Coordinador General Jurídico *of the Ministry of Finance of the Republic* 177
COSEDE 9
Counsel of Citizen Participation and Social Control 45
CPI 117
Cuenta Única del Tesoro 11
Currency Outflow Tax 56
Debt 6
Debt and Finance Committee 52
Decree 1218 15
Decree 338 68
Decree 578 62
Development Bank 103
DFSA 165
Discount Notes 136
Dispute viii
Dollarization Program xi
Ecuador 1
Ecuador Estratégico 5, 61
Ecuadorian Authorization 157
Ecuadorian Economic Transformation Law xi
EEA 1
Electoral Branch 46
Electoral Dispute Settlement Court 46
Employment Partner Network 75
Environmental Improvement and State Resources Optimization Law 56
EPC Contract 85
ETAP 107
Eurobonds 137
Euroclear 1
Euroclear participants 167
Excluded Indebtedness 157
External Indebtedness 157
FAO 71
FARC 40
FCC 67
FEIREP 120
Financial and Economic Analysis Unit 5
Financial Safety Net Law 53
First Instance Courts 45
FLAR 21
FOB v
Foreign Commerce and Investment Council 95
FSMA 163
GDP 2
Global Notes iv

Government ... v
GSI ... 93
Hutchison ... 85
ICE ... 126
ICSID ... 35
IDB ... 3
IEPI ... 81
IESS ... 14
IMF GFS ... 15
Immune Property ... 25
Indebtedness ... 157
Indenture ... viii
Intercultural Education Law ... 78
International Reserves ... 18
IRS ... 173
ISSFA ... 77
ISSPOL ... 77
ITT ... 4
Japanese Person ... 165
JCD ... 85
Judiciary Council ... 45
KKR ... 65
Labor Justice and Home Maker Recognition Law ... 58
Latin American Integration Association ... 95
Law for Market Power Control and Regulation ... 55
Law for the Regulation of Housing and Automobile Loans ... 56
Law for the Remission of Interest, Penalties and Surcharges ... 58
Law of Solidarity ... 3
Law on Incentives for Public-Private Joint Ventures and Foreign Investment ... 58
Law on Tax Incentives ... 5
Law Reforming the Financial Institutions Law and the Restructuring Financial Taxes Law ... 56
Law Reorganizing Economic Matters in the Tax and Finance Areas ... 107
Law to Balance Public Finances ... 9
Law to Eliminate Money Laundering and the Financing of Crimes ... 5
Law to Eliminate Speculation and Tax Fixing ... 6
Law to Reform the Organic Law of Public Service and Labor Code ... 6, 60
Law to Regulate Companies that Finance Pre-paid Health Services and Health Insurance Companies ... 6
Law to Restructure Debt of Public Banks, Closed Banks and the Management of the National Financial System and System of Securities ... 6, 60
Law to Strengthen the Social Security System of the Armed Forces and National Police ... 6
LCIA ... viii
LCIA Rules ... viii
Lead Manager ... 160
Legal Proceedings ... 178
Ley Orgánica de Regulación y Control del Poder de Mercado ... 55
Libertador-Atacapi ... 65
Lien ... 157
Liquidity Fund ... 9, 106
Loan-loss Reserve ... 105
LOREYTF ... 53
LPG ... 67
Majority ... 157
Merck ... 84
MICSE ... 5
Mining Law ... 53
Ministry of Hydrocarbons ... 62
Ministry of Labor Relations ... 74
Ministry of Mines ... 62
Modification ... 157
Monetary and Financial Law ... 9
Monetary and Financial Policy and Regulation Board ... 10
Movistar ... 71
Murphy ... 83
National Assembly ... 43
National Council on Wages ... 55
National Court of Justice ... 45
National Decentralized System of Participative Planning ... 54
National Development Plan ... 34
National Electoral Council ... 46
National Institute of Statistics ... 2
National Secretary of Planning and Development ... 2
National Services Commission ... 56
New York Convention ... 25
Non-Reserved Matter ... 157
Notes ... 1
OAS ... 1
Occidental ... 79
OCP ... 64
Old Notes ... 137
OPEC ... 33
Original 2020 Issuance ... 12
Original 2022 Issuance ... 12
Original 2026 Issuance ... 13
OTI ... 14, 140
Par Notes ... 136
Pardaliservices S.A. ... 65
PDI Notes ... 137
PDVSA Ecuador ... 15
Pedernales Earthquake ... 2
Perenco ... 83
PetroChina ... 13
Petroecuador ... 13
Process Agent ... viii
Production Code ... 53
Program for Finance ... 113

Project Financing 157
Prospectus Directive... 1
Provincial Courts of Justice 45
PTT International 14, 140
Public Corporations Law.......................................54
Public Defender...45
Public Planning and Finance Code.........................11
Public Sector Instrumentality...............................157
Purchase Agreement...160
Quito Stock Exchange 114
RDP..15
Reform Act to the Internal Tax Regime Law and the Reform Act for Tax Equity in Ecuador...53
Regulation S.. 1
Regulation S Global Note iv
Replacement Agent ix
Republic.. 1
Reserved Matter..158
Restricted Global Note iv
Rule 144A.. iv
Schlumberger...65
Securities Act... 1
SENPLADES... 2
SEPS...113
Series of Notes...1
Sertecpet.. 65
SFA... 163
SFO... 165
Shushufindi.. 65
Shushufindi S.A.. 64
SOTE 66
Superintendent of Banks 9
Tax Culture Day 126
Tecpetrol 65
Telecommunications Law 57
Transparency and Social Control Branch 45
Trustee viii
U.S. Controlled Person.. 176
U.S. dollars...v
U.S. Holder... 173
U.S.$ v
UNASUR 1
UNCITRAL..3
Unipec.. 66
United States person 176
United States persons.. 174
VAT... 126
Yachay 73

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You should rely only on the information contained in this Offering Circular or to which Ecuador has referred you. Ecuador has not authorized anyone to provide you with information that is different. This Offering Circular may only be used where it is legal to sell these securities. The information in this Offering Circular may only be accurate on the date of this Offering Circular.

The Republic of Ecuador

U.S.$1,000,000,000
8.750% Notes due 2023
U.S.$1,000,000,000
9.625% Notes due 2027

Lead Manager and Global Coordinator

Citigroup

Offering Circular

May 30, 2017

OFFERING CIRCULAR SUPPLEMENT

The Republic of Ecuador

U.S.$378,000,000 10.750% *Notes due 2022*
U.S.$187,000,000 8.750% *Notes due 2023*
U.S.$41,000,000 9.650% *Notes due 2026*

The Republic of Ecuador (the "Republic" or "Ecuador") and The Bank of New York Mellon, as trustee (the "Trustee") have executed (i) the indenture dated July 28, 2016, with respect to the 2022 Notes (as defined below) (the "2022 Indenture"), (ii) the indenture dated June 2, 2017, with respect to the 2023 Notes (as defined below) (the "2023 Indenture"), and (iii) the indenture dated December 13, 2016, with respect to the 2026 Notes (as defined below) (the "2026 Indenture", and together with the 2022 Indenture and the 2023 Indenture, the "Indentures"). Pursuant to the respective Indentures, the Republic has issued (i) an initial U.S.$1,000,000,000 and an additional U.S.$1,000,000,000 of its 10.750% Notes due 2022 (aggregately, the "2022 Notes"), (ii) U.S.$1,000,000,000 aggregate principal amount of its 8.750% Notes due 2023 (the "2023 Notes") and (iii) an initial U.S.$750,000,000 and an additional U.S.$1,000,000,000 of its 9.650% Notes due 2026 (aggregately, the "2026 Notes", and together with the 2022 Notes and the 2023 Notes, the "Original Notes").

The Republic is issuing (i) an additional U.S.$378,000,000 aggregate principal amount of its 10.750% Notes due 2022 (the "Additional 2022 Notes"), (ii) an additional U.S.$187,000,000 aggregate principal amount of its 8.750% Notes due 2023 (the "Additional 2023 Notes"), and (iii) an additional U.S.$41,000,000 aggregate principal amount of its 9.650% Notes due 2026 (the "Additional 2026 Notes", and together with the Additional 2022 Notes and the Additional 2023 Notes, the "Additional Notes"). The Additional Notes will be additional notes issued under each respective Indenture. Each series of Additional Notes will have identical terms and conditions as its respective series of Original Notes, other than issue date and issue price, and each will be consolidated and form a single series with their respective series of Original Notes. Each series of Additional Notes will vote together as a single class with its respective series of Original Notes. Upon consummation of this offering, the aggregate principal amount of (i) 2022 Notes will be U.S.$2,378,000,000, (ii) 2023 Notes will be U.S.$1,187,000,000, and (iii) 2026 Notes will be U.S.$1,791,000,000.

This Offering Circular Supplement (the "Supplement") is supplemental to and should be read in conjunction with (i) the Offering Circular dated July 28, 2016, and its supplement dated September 30, 2016, with respect to the 2022 Notes (the "2022 Offering Circular"), (ii) the Offering Circular dated May 30, 2017, with respect to the 2023 Notes (the "2023 Offering Circular"), and (iii) the Offering Circular dated December 13, 2016, and its supplement dated January 13, 2017, with respect to the 2026 Notes (the "2026 Offering Circular", and together with the 2022 Offering Circular and the 2023 Offering Circular, the "Offering Circulars"), attached as Appendix A, Appendix B and Appendix C, respectively, to this Supplement. Terms defined in the Offering Circulars shall have the same meaning in this Supplement. With effect from the date of this Supplement, the information appearing in the Offering Circulars shall be amended and/or supplemented in the manner described in this Supplement.

There is currently no public market for the Additional Notes. Application has been made to list the Additional Notes on the Official List of the Luxembourg Stock Exchange and to have the Additional Notes admitted to trading on the Euro MTF Market. This Supplement, together with the Offering Circulars, constitutes a prospectus for the purpose of the Luxembourg Law dated July 10, 2005 on prospectuses for securities, as amended. The Additional 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*" section on each Offering Circular regarding certain risk factors you should consider before investing in the Additional Notes.

Additional 2022 Notes Price: 112.878% plus accrued interest from July 28, 2016 to but excluding October 16, 2017
Additional 2023 Notes Price: 104.412% plus accrued interest from June 2, 2017 to but excluding October 16, 2017
Additional 2026 Notes Price: 106.664% plus accrued interest from December 13, 2016 to but excluding October 16, 2017

Delivery of the Additional Notes will be made on or about October 16, 2017.

The Additional Notes have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"). The Additional Notes may not be sold within the United States or to U.S. persons except in reliance on the exemption from registration provided under the Securities Act and offered and sold to certain persons in offshore transactions in reliance on Regulation S under the Securities Act. There are no Additional Notes being offered and sold in the United States or to U.S. persons.

The Additional 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.

ANY OFFER OR SALE OF NOTES IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (THE "EEA") THAT HAS IMPLEMENTED DIRECTIVE 2003/71 EC (THE "PROSPECTUS DIRECTIVE") MUST BE ADDRESSED TO QUALIFIED INVESTORS (AS DEFINED IN THE PROSPECTUS DIRECTIVE).

The date of this Supplement is October 11, 2017.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE REPUBLIC AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND THE RISKS INVOLVED.

You should rely only on the information contained in the Offering Circulars and this Supplement or to which the Republic of Ecuador has referred you. Ecuador has not authorized anyone to provide you with information that is different from the information contained in the Offering Circulars and this Supplement. This Supplement and the Offering Circulars may only be used where it is legal to sell these Additional Notes. The information in this Supplement may only be accurate on the date of this Supplement.

This Supplement may only be used for the purposes for which it has been published.

TABLE OF CONTENTS

Page

RECENT DEVELOPMENTS 1

THE ADDITIONAL NOTES OFFERING 25

USE OF PROCEEDS 28

PLAN OF DISTRIBUTION 29

VALIDITY OF THE NOTES 30

GENERAL INFORMATION 31

APPENDIX A: Offering Circular dated July 28, 2016, and its supplement dated September 30, 2016, with respect to the 2022 Notes A-1

APPENDIX B: Offering Circular dated May 30, 2017, with respect to the 2023 Notes B-1

APPENDIX C: Offering Circular dated December 13, 2016, and its supplement dated January 13, 2017, with respect to the 2026 Notes C-1

The Additional 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 Excluded Indebtedness), as defined in "*Description of the Notes*" in each Offering Circular, provided, that, such ranking is in terms of priority only and does not require that Ecuador make ratable payments on the Additional Notes with payments made on its other External Indebtedness.

The Additional Notes will be issued in registered form only. Additional 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 Additional Notes sold in the United States, if any, 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 a common depositary for, 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*" on each Offering Circular) 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. Except as described herein, definitive Additional Notes will not be issued in exchange for beneficial interests in the Global Notes.

The Republic has taken reasonable care to ensure that the information contained in this Supplement 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 Additional Notes, would make this Supplement as a whole or any information included in this Supplement, misleading in any material respect. The Republic accepts responsibility accordingly.

This Supplement does not constitute an offer by, or an invitation by or on behalf of, the Republic to subscribe to or purchase any of the Additional 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 Supplement or any part of it and the offering, possession, sale and delivery of the Additional Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Supplement comes are required by the Republic to inform themselves about and to observe any such restrictions. See "*Plan of Distribution*" on page 29 of this Supplement and "*Transfer Restrictions*" in each Offering Circular for a description of further restrictions on the offer, sale and delivery of Additional Notes, the distribution of this Supplement, and other offering material relating to the Additional Notes.

Each purchaser of the Additional Notes sold outside the United States in reliance on Regulation S will be deemed to have represented that it is not purchasing the Additional Notes with a view to distribution thereof in the United States. With respect to the offer and sale of the Additional Notes by the Republic, no Additional Notes will be offered and sold in the United States or to U.S. persons.

RECENT DEVELOPMENTS

The following description of "Recent Developments" *sets forth material developments since the issuance of the 2023 Offering Circular (including information that was not available as of May 30, 2017). It does not purport to be a complete description of the Republic and should be read in conjunction with the relevant sections of the 2023 Offering Circular.*

Please note that other than as specifically described below in connection with statistical updates to GDP and Balance of Payments, this Recent Developments section does not update statistical information from prior interim periods included in the Offering Circular that may have been updated by the Republic.

The Republic of Ecuador

On February 19, 2017, a presidential election (the "2017 Election") was held with eight candidates to replace former President Rafael Correa after he was elected for two consecutive periods. Lenin Moreno of former President Correa's Alianza PAIS came in first, with 39.36% of the vote, and Guillermo Lasso of the CREO - SUMA party came in second, with 28.09% of the vote. Since no candidate gained either an outright victory of 50% of the vote or at least 40% of the vote with an additional ten points of advantage over the candidate in second place, a run-off election between President Moreno and Mr. Lasso was held on April 2, 2017. President Moreno was elected president with 51.16% of the vote.

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 named Carlos Alberto de la Torre Muñoz as the Minister of Economy and Finance, Pablo José Campana Saénz as the Minister of Foreign Trade and Verónica Artola Jarrín as General Manager of the Central Bank. President Moreno's cabinet includes former ministers under former President Correa's cabinet such as the Minister of Education, the Minister of Health and the Minister of the Interior.

President Moreno assumed the post of President of Ecuador on May 24, 2017 with Jorge Glas as Vice President (the "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 him by the President. On August 3, 2017, President Moreno signed Decree 100 ("Decree 100") to withdraw all functions previously assigned to the Vice President on May 24, 2017 under Decree 9 ("Decree 9") arguing lack of understanding of the political agenda. As part of the revocation of functions assigned to the Vice President under Decree 9, Decree 100 removes the Vice President as member and official in charge of the *Consejo Sectorial de la Producción* (the "Sectorial Council of Production"), withdraws 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 removes the Vice President as member and chair of the *Comité para la Reconstrucción y Reactivación Productiva y del Empleo* (the "*Committee for Reconstruction and Productive Recovery*") in the zones affected by the earthquake that struck the northern coast of Ecuador on April 16, 2016. Additionally, Decree 100 removes the Vice President as member of the *Comité Ejecutivo del Consejo Consultivo Productivo y Tributario* (the "Advisory Council Executive Committee") and also repeals all norms of equal or lower priority to a presidential decree assigning functions to the post of Vice President. Otherwise, Jorge Glas retained the post of Vice President. The Vice President has been subject to investigation for allegedly accepting bribes from Odebrecht S.A. ("Odebrecht"), a Brazilian conglomerate consisting of diversified businesses in the fields of engineering, construction, chemicals and petrochemicals. Odebrecht has admitted as part of its plea agreement with the U.S. Department of Justice that it made and caused to be made more than US$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 *Corte Nacional de Justicia* (the "National Court of Justice") and included the Vice President, among others. The National Court of Justice decreed that the Vice

President is not allowed to leave Ecuador. On October 2, 2017, the National Court of Justice decreed the preventive detention of the 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. It is expected that the investigation will conclude during the week of October 16, 2017 and that formal accusations will be issued in order to start proceedings in the courts of justice.

Through Decree No. 50, President Moreno created the Production & Taxation Advisory Council which is headed by the Ministry of Industry and Productivity and establishes a dialogue between the public and private sectors. The Production & 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, 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 7, 2017, President Moreno announced four austerity measures. As part of the austerity measures, President Moreno offered for sale one of the two presidential airplanes and luxury cars owned by the government. President Moreno ordered a 10% reduction in the salary of public servants with monthly salaries between U.S.$2,368 and U.S.$6,261. Finally, President Moreno announced that real property owned by the public company "Inmobiliar" would be offered for sale and the proceeds invested in the "*Casa para Todos*" project (the "Housing For All Project") to generate employment and grant access to housing to the poorest families in the country. The Housing for All Project includes the construction of 325,000 houses in the next four years 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 Project is expected to generate more than 136,000 jobs.

Pursuant to Article 295 of the 2008 Constitution, during a presidential election year, the national budget is to be presented for National Assembly approval within the first 90 days of the term of the next president. Accordingly, the 2017 draft budget ("2017 Draft Budget") was presented for National Assembly approval on August 7, 2017, within the first 90 days of the term of President Moreno, which began on May 24, 2017. The National Assembly had 30 days from August 7, 2017 to approve or make observations to the 2017 Draft Budget. The 2017 Draft Budget proposed a budget of U.S.$36.8 billion, an increase of 2% from the U.S.$36.0 billion codified budget for 2016. In 2016, the 2016 initial budget was of U.S.$29.8 billion. The 2017 Draft Budget assumes an average crude oil price of U.S.$41.69 per barrel and estimates the export of 136.6 million barrels of crude oil and the import of 45.2 million barrels of petroleum derivatives. The 2017 Draft Budget estimates the budget deficit to amount to U.S.$4,700 million. The 2017 Draft Budget also estimates a GDP growth of 0.7%. The 2017 Draft Budget also sets the goal of a reduction of the budget deficit for the non-financial public sector from 7.6% of GDP in 2016 to less than 2% of GDP in 2021. The 2017 Draft Budget provides for projected revenues of about U.S.$14,760 million in taxes, U.S.$1,609 million in rates and contributions, U.S.$3,322 million in transfers from public companies and the Central Bank and U.S.$3,241 million in transfers and donations of capital and investments. The 2017 Draft Budget provides for projected expenses of about U.S.$9,192 million in personnel, U.S.$7,034 in the amortization of public debt, U.S.$5,123 in consumer goods and services and U.S.$4,060 million in transfers and donations of capital. The 2017 Draft Budget allocates about U.S.$18,876 million to the national treasury sector, U.S.$5,198 million to the education sector, U.S.$2,779 million to the health sector, U.S.$3,453 million to the security, risks and defense sector, U.S.$1,157 million to the housing sector and U.S.$1,048 billion to the social welfare sector. On August 31, 2017, the National Assembly approved the 2017 Draft Budget.

On July 2017, the *Contraloría General del Estado* (the "Office of the Comptroller General"), exercising its abilities granted by law to examine acts of public entities, announced that it will conduct an audit of all the internal and external debt of the Republic incurred between 2012 and 2017. While the Office of the Comptroller General had previously audited all such government acts involving debt until 2015 –without finding any illegalities, it is expected that the Ministry of Economy and Finance, the Central Bank and the *Secretaría de Planificación* (the "National Secretariat of Planning") will be covered by this review.

On July 28, 2017, President Moreno set forth the following plans for immediate execution:

- promote legislation intended to foster and improve the construction sector by revising the *Ley Orgánica para Evitar la Especulación sobre el Valor de las Tierras y Fijación de Tributos* (the "Law to Eliminate Speculation and Tax Fixing") in order to disincentive price speculation in real estate;

- incentivize investment and foreign exchange income through a bill that allows repatriation of capital belonging to those who hold capital abroad;

- encourage the use of electronic money in coordination with the national financial system;

- in line with austerity measures, optimize the use of national resources mainly in the hiring of personnel, consulting, publicity, vehicles and travel; and

- channel public investment towards efforts that are strictly necessary.

On October 2, 2017, President Moreno presented the following questions to the National Court of Justice 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 *Consejo Nacional Electoral* (the "National Electoral Council" or "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.

On October 11, 2017, President Moreno announced a number of economic measures intended to reactivate the economy, protect dollarization and finance social programs. The executive will send a bill to the National Assembly that will include:

- starting in 2018, an additional income tax applicable to natural persons earning at least $3,000 per month;

- an increase of 3% of the corporate income tax, from 22% to 25%, which was the level of corporate income tax in 2010; however, this will not be applicable to small and medium enterprises, and other companies that perform activities that facilitate the access of foreign currency into Ecuador;

- the elimination of prepayment of income tax for companies with annual sales of less than $300,000, and for companies with sales over $300,000, a refund of such income tax prepayment, on a progressive basis, subject to maintaining or increasing employment levels;

- the elimination of income tax for small enterprises for the first $11,000 of income;

- the elimination of income tax for small and medium enterprises during the first two years of operation;

- measures to incentivize the repatriation of capital, consisting in a 5-year tax holiday to those who repatriate capital within 12 months;

- a tax refund program for exporters;

- the elimination of land tax, and

- certain tariffs and rates to protect local producers and disincentive contraband.

The Ecuadorian Economy

According to the *Instituto Nacional de Estadística y Censos (*"National Institute of Statistics" or "INEC"), inflation decreased from 1.4% for the 12-month period ended August 31, 2016 to 0.3% for the 12-month period ended August 31, 2017 primarily due to a decrease in prices of furniture, home goods, items for the routine conservation of homes, clothing items, footwear and diverse goods and services, including items for personal care caused by the reduction in the value-added tax from 14% to 12% and a reduction in tariffs. According to the Central Bank, inflation decreased from 1.30% for the 12-month period ended September 30, 2016 to -0.03% for the 12-month period ended September 30, 2017. According to INEC, the rate of unemployment increased slightly from 4.4% as of March 31, 2017 to 4.5% as of June 30, 2017.

According to the Central Bank's Monthly Bulletin for August 2017, oil field crude production, including that of private and state-owned companies, reached 113.4 million barrels in the first seven months of 2017, representing a 2.7% decrease from the 116.6 million barrels produced in the first seven months of 2016 (and a decrease of 2.3% in barrels per day ("bpd")). In the first seven months of 2017, state-owned companies were responsible for 78.9% of production, compared to 78.6% of production in the first seven months of 2016.

According to the Central Bank's Monthly Bulletin for August 2017, for the period of January through July 2017, overall exports increased to U.S.$10,998 million, an increase of 17.4% compared to the U.S.$9,368 million for the same period for 2016. This increase was primarily due to an increase in crude oil exports (29.5%), as well as an increase in shrimp exports (21.9%) and an increase in bananas and plantains exports (16.5%). In the first seven months of 2017, crude oil exports totaled U.S.$3,466 million compared to U.S.$2,676 million in the first seven months of 2016. In the first seven months of 2017, shrimp exports totaled U.S.$1,764 million compared to U.S.$1,447 million in the first seven months of 2016. In the first seven months of 2017, banana exports totaled U.S.$1,891 million compared to U.S.$1,622 million in the first seven months of 2016. In the first seven months of 2017, cacao exports totaled U.S.$301 million, a 5.7% decrease from U.S.$319 million in the first seven months of 2016. In the first seven months of 2017, flower exports totaled U.S.$566 million, a 14.0% increase from U.S.$497 million in the first seven months of 2016. In the first seven months of 2017, fishing exports other than shrimp, totaled U.S.$137 million, a 14.2% decrease from U.S.$160 million in the first seven months of 2016.

According to the Central Bank's Monthly Bulletin for August 2017, for the period of January through July 2017, imports totaled U.S.$10,885 million, as compared to the U.S.$8,823 million for the first seven months of 2016, a 23.4% increase mainly as a result of an increase in imports of durable consumer goods, fuel and combustibles, industrial primary materials, international postal traffic and courier, construction materials, capital goods for agriculture, industrial capital goods and transportation equipment.

According to the Central Bank's quarterly bulletin for the second quarter of 2017, real GDP for the first six months of 2017 was U.S.$35,291 million, compared to U.S.$34,335 million for the first six months of 2016, representing an increase of 2.8% in real terms. This increase is mainly due to a growth of 3.8% in end consumption expenditures as a result of an increase in production of private sector entities, mainly related to financial services, production of glass, ceramics and cement, manufacturing of machinery and equipment, manufacturing of metal products and manufacturing of transportation equipment. Likewise, the performance of the private productive sector is further fostered by an increase in consumption, showing a quarterly variation of a non-oil gross production increase of 2.8%. In the first six months of 2017, the nominal GDP reached U.S.$50,772 million representing an increase from the U.S.$48,912 million in the first six months of 2016. The Central Bank's quarterly bulletin for the second quarter of 2017 reflects changes in nominal GDP and real GDP figures for 2014, 2015 and 2016, respectively, displayed in Tables 1 – 5 of the Updated Economic Indicators section hereof. The Central Bank's monthly bulletin for August reflects changes in the real GDP per capita and the nominal GDP per capita for 2013, 2014, 2015 and 2016, respectively, displayed in Table 2 of the Updated Economic Indicators section hereof.

According to the Central Bank's quarterly bulletin for the second quarter of 2017, in the first six months of 2017, manufacturing was the largest sector of the economy measured by percentage of GDP (13.69%), followed by construction (11.07%), trade (9.92%), community services (8.77%) and agriculture (8.56%). In the first six months of 2016, manufacturing, construction, trade, community services and agriculture were also the largest sectors of the economy measured by percentage of GDP, respectively accounting for 13.90%, 12.27%, 9.73%, 8.74% and 8.42%. In the first six months of 2017, manufacturing reached U.S.$6,952 million, an increase of 2.2% compared to U.S.$6,801 million in the first six months of 2016. In the first six months of 2017, construction activity decreased by 8.3% in real terms compared with the first six months of 2016.

In the first six months of 2017, the mining sector represented 0.47% of GDP, compared to 0.44% of GDP for the first six months of 2016. For the first six months of 2017, the electric and water sectors contributed a total of U.S.$918 million to GDP, an increase compared to U.S.$748 million for the first six months of 2016. For the first six months of 2017, the telecommunications sector accounted for U.S.$1,034 million of GDP, an increase of 6.2% compared to U.S.$974 million for the first six months of 2016. In the first six months of 2017, the agricultural sector represented 8.56% of GDP, an increase compared to 8.42% of GDP for the first six months of 2016.

In its quarterly bulletin for the second quarter of 2017, the Central Bank published information regarding balance of payments for the second quarter of 2017 as well as updated annual figures for previous years which are set forth in Table 11 below. For purposes of comparison with the first and second quarters of 2017, Table 12 below sets forth quarterly information for the first and second quarters of 2016 and the first and second quarters of 2017. For the quarters ended in June 2016 and June 2017, there were balance of payments surpluses.

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.$2,914.6 million in 2013 to U.S.$323.5 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.$923.4 million in 2013 to a deficit of U.S.$523.4 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.$523.4 million in 2014 to a deficit of U.S.$2,108.3 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 payment surplus of U.S.$1206.7 million, an increase compared to the U.S.$1,488.4 million deficit in 2015. The balance of payment surplus was due to an increase in the current account. For the second quarter of 2017, there was a balance of payment surplus of U.S.$652.3 million, a decrease of U.S.$202.3 million compared to the U.S.$854.5 million balance of payment surplus for the second quarter of 2016. This decrease was due to a decrease of U.S.$894.8 million in the current account surplus and to an increase of U.S.$665.8 million in liabilities of the capital and financial account.

The current account increased from a deficit of U.S.$2,108.3 million in 2015 to a surplus of U.S.$1,437.6 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 to a surplus of U.S.$1,567.3 million, which was due to a decrease in imports particularly with respect to fuel and lubricants as well as capital goods. In the second quarter of 2017, the current account registered a surplus of U.S.$59.2 million, a decrease of U.S.$895.0 million compared to the U.S.$954.2 million surplus for the second quarter of 2016. The decrease in the surplus of the current account was mainly due to a decrease of U.S.$647.3 million in the trade balance, an increase in the deficits of the services and the investment income accounts of U.S.$17.1 million and U.S.$81.5 million respectively and a decrease of U.S.$148.9 million in net transfers.

In the second quarter of 2017, the capital and financial account registered a surplus of U.S.$616.7 million compared to the deficit of U.S.$49.1 million for the second quarter of 2016. This increase was due to an increase of U.S.$2,279.8 million in liabilities of the investment portfolio and to the increase of assets and decrease in liabilities of U.S.$1,903.3 million in the other investment account which is composed of assets and liabilities consisting of commercial credits, loans, deposits and currency in circulation and other liabilities such as non-monetary capital subscriptions to international organizations and diverse accounts payable and accounts receivable.

According to the quarterly bulletin showing balance of payments figures, for the second quarter of 2017, imports totaled U.S.$4,626.7 million compared to U.S.$3,613.8 million for the second quarter of 2016. This increase in the level of imports was due to an increase in imports of 34.1% in consumer goods, 36.3% in fuel and lubricants, 33.7% in raw materials and 14.1% in capital goods. The trade balance for the second quarter of 2017 resulted in a surplus of U.S.$199.2 million, a decrease compared to the U.S.$846.2 million surplus in the second quarter of 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 contributed to this decrease in the surplus. The services balance for the second quarter of 2017 resulted in a deficit of U.S.$277.1 million, an increase compared to the U.S.$259.9 million deficit in the second quarter of 2016 as a result of an increase in the deficit of rendered services received of U.S.$55.2 million due to an increase in imported freights compared to a U.S.$38.2 million increase in credits of rendered services. The investment income balance for the second quarter of 2017 resulted in a deficit of U.S.$564.2 million, an increase compared to the U.S.$464.7 million deficit in the second quarter of 2016. This increase in the deficit was due to the payment of interests from the investment portfolio and to public and private external debt which increased in U.S.$88.6 million and U.S.$9.4 million, respectively. For the second quarter of 2017, remittances totaled U.S.$698.9 million, an increase compared to the U.S.$669.5 million total for the second quarter of 2016. This increase in remittances is due to the seasonality and economic situation of the main countries where Ecuadorians living abroad reside, including the United States, Spain, and Italy, among others. For the second quarter of 2017, direct investment totaled U.S.$175.1 million, an increase compared to the U.S.$128.5 million total for the second quarter of 2016. This increase was principally due to an increase of U.S.$13.8 million in shares and equity interests, an increase of U.S.$2.1 million in reinvested earnings and to an increase of U.S.$17.9 million consisting in net capital contributions of related companies. The investment portfolio for the second quarter of 2017 registered a surplus of U.S.$2,372.3 million, an increase compared to the U.S.$92.5 million surplus for the second quarter of 2016 mainly due to the Republic's issuance of U.S.$1.0 billion notes due 2023 with a coupon of 8.750% and to the issuance of U.S.$1.0 billion notes due 2027 with a coupon of 9.625% both issued on June 2, 2017.

Legal Proceedings

Burlington

On July 20, 2017, Ecuador and Burlington agreed before the High Court of Justice Queen's Bench Division, Commercial Court in the UK, that the enforcement of the Award be stayed until 45 days after the expiration of the provisional stay or expiration of the stay.

On August 31, 2017, the ICSID Annulment Committee lifted the provisional stay of the enforcement of the award and terminated the provisional stay. Given the decision of the ICSID Annulment Committee, Burlington has proceeded to activate its enforcement actions in the Southern District of New York, the U.S. District Court for the District of Columbia and the United Kingdom in accordance with the stipulations entered into between the parties. The parties may seek to extend the "no enforcement period" and are in discussions regarding the same.

On October 6, 2017, Professor Piero Bernardini, one of the Committee members, submitted his resignation. The proceeding is suspended until the vacancy is filled. Thereafter, a new procedural calendar will be presented to the parties.

Chevron

On July 18, 2017, the courts of The Hague denied Ecuador's request to set aside the September 17, 2013 partial award and the previous interim awards. Ecuador intends to submit another appeal on October 17, 2017.

International Reserves

As of September 30, 2017, Ecuador's International Reserves totaled U.S.$2,362.4 million, a decrease from August 31, 2016, when International Reserves totaled U.S.$4,472.9 million. This decrease was primarily due to payments made abroad by private sector entities, the net balance between deposits and withdrawals in the Central Bank's vaults and debt service payments.

Monetary System

As of September 30, 2017, total time and demand deposits increased to U.S.$27,479 million, an increase of 6.92% compared to September 30, 2016. This increase was principally due to accounting for the deposits of the new bank "Banco Diners" which contributed to a 3.12% growth in time and demand deposits out of the 6.92% total growth mainly driven by time deposits; an increase in demand deposits of Banco Pichincha, which despite the decrease in time deposits, contributed to a 1.24% growth in time and demand deposits out of the 6.92% total growth; and to the increase of mainly demand deposits of Produbanco and Banco Bolivariano, time deposits of Banco del Austro, and both time and demand deposits of Banco Internacional.

Total assets of the banking system increased from U.S.$33.5 billion as of September 30, 2016 to U.S.$36.8 billion as of September 30, 2017, an increase of 9.7%. This increase was principally due to an increase in the net loan portfolio of U.S.$4.20 billion.

As of September 30, 2017, the delinquency rate decreased to 3.4% compared to the 4.1% delinquency rate as of September 30, 2016. This decrease is principally due to a decrease of 3.16% in past-due loans, while the total gross loan portfolio increased by 23.81% as a result of an increase in the income of borrowers which decreased payment delays.

Public Sector Finances

In its monthly bulletin for August of 2017, the Central Bank published information regarding consolidated figures of non-financial public sector revenues and expenditures for the first quarter of 2017 and for April, May and June of 2017, respectively. In this bulletin, the Central Bank also published updated annual figures for December 2015 which are set forth in Table 14 below along with annual figures for December 2016 for purposes of comparison. Additionally, the Central Bank published information regarding figures for revenues and expenditures corresponding to the general state budget in this bulletin.

For the first six months of 2017, the non-financial public sector registered a deficit of U.S.$717 million compared to a deficit of U.S.$1,834 million for the first six months of 2016. This decrease in the deficit was due to a surplus in expenses in social security, a decrease in spending in public works and an increase in available funds for municipal and regional governments. For the first six months of 2017, total revenues for the non-financial public sector totaled U.S.$16,566 million, an increase from U.S.$14,437 million for the first six months of 2016. For the first six months of 2017, total expenditures for the non-financial public sector totaled U.S.$17,283 million, an increase compared to U.S.$16,271 million for the first six months of 2016.

For the first six months of 2017, total revenues of the general state budget were U.S.$9,416 million, while total expenditures were U.S.$11,304 million. This resulted in a deficit of U.S.$1,888 million for the first six months of 2017, an increase compared to the U.S.$1,288 million deficit for the first six months of 2016. This increase in the deficit is primarily due to the increased use of monetary resources to finance strategic investment projects and capital formation projects.

Public Debt

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.$32,771.2 million as of December 31, 2015, compared to U.S.$30,140.2 million as of December 31, 2014, U.S.$22,846.7 million as of December 31, 2013, U.S.$18,652.3 million as of December 31, 2012 and U.S.$14,561.8 million as of December 31, 2011. Since October 2016, pursuant to Presidential Decree 1218 ("Decree 1218"), the consolidated methodology is the legal methodology in Ecuador to calculate public sector debt to GDP in Ecuador and is in accordance with the IMF methodology set out in the Manual of Public Finance Statistics of the IMF (the "IMF GFS"). 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.$29,569.1 million as of August 31, 2017, U.S.$24,705.4 million as of August 31, 2016, U.S.$26,811 million as of December 31, 2016, U.S$21,273 million as of December 31, 2015, compared to U.S.$18,679 million as of December 31, 2014, U.S.$13,957 million as of December 31, 2013, and U.S.$11,526 million as of December 31, 2012. The increase in public sector debt from August 31, 2016 to August 31, 2017 was primarily due to disbursements of loans from the China Development Bank, the issuance of the 2022 Bonds, the 2023 Bonds, the 2026 Bonds and the 2027 Bonds and the Republic's guarantee of the issuance of the Petroamazonas 2019 Notes and the Petroamazonas 2020 Notes. The ratio of total aggregate public sector debt to GDP increased from 32.7% as of December 31, 2015 to 39.6% as of December 31, 2016. The ratio of total public sector consolidated debt to GDP increased from 21.2% as of December 31, 2015 to 27.9% as of December 31, 2016. The ratio of total public sector consolidated debt to GDP increased from 25.7% as of August 31, 2016 to 29.3% as of August 31, 2017 and, following the issuance of the Additional Notes, it is estimated that the total public debt to GDP will be approximately 29.3% under the consolidation methodology. As of August 31, 2017, interest payments on all debt obligations represent approximately 1.4% of GDP.

Total public external debt as of August 31, 2017 was U.S.$28,659.4 million, an increase from U.S.$23,624.1 million as of August 31, 2016 due primarily to disbursements of loans from the China Development Bank, the issuance of the 2022 Bonds, the 2026 Bonds, the 2023 Bonds, the 2027 Bonds and the Republic's guarantee of the issuance of the Petroamazonas 2019 Notes and the Petroamazonas 2020 Notes.

As of August 31, 2017, the top three bilateral lenders to Ecuador were China, Brazil, and Spain, with debt levels of U.S.$ 6,716.3 million (88.7% of the total bilateral debt), U.S.$ 190,7 million (2.5% of the total bilateral debt) and U.S.$ 164,5 million (2.2% of the total bilateral debt), respectively.

On June 2, 2017, the Republic successfully issued two tranches of notes. Under the first tranche, the Republic issued the 2023 Bonds. Under the second tranche, the Republic issued the 2027 Bonds. The Republic is current on its financial obligations under the 2023 Bonds and under the 2027 Bonds and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2023 Bonds and the 2027 Bonds 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 11, 2017, Ecuador entered into a U.S.$65 million credit facility agreement with the French Development Agency ("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 *Corporación Financiera Nacional* ("CFN") or *Corporación Nacional de Finanzas Populares y Solidarias* ("CONAFIPS") adding earthquake resistant features and to reactivate the main productive sectors in the Ecuadorian provinces most affected by the 7.8 magnitude earthquake that struck Ecuador on April 16, 2016.

On October 2, 2017, the Latin American Reserve Fund ("FLAR") approved a loan of U.S.$637.8 million for Ecuador for a term of three years with a one year grace period for the payment of principal. It is expected that the proceeds of this loan will be used to improve Ecuador's balance of payments.

GSI Loan Facility

On October 11, 2017 the Republic and Goldman Sachs International ("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 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.$606 million nominal amount of notes issued by the Republic (the "Additional Notes") (with a market value at the date of the transaction of U.S.$ 650 million) and in return received the interest amounts on the Additional 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 Additional Notes transferred to GSI. The Additional Notes constitute "Further Notes" (as defined in each of the Offering Circulars) 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 Additional Notes was authorized by the Republic's Debt and Finance Committee under Acta Resolutiva No. 014 dated October 10, 2017. The Additional Notes will be 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 Additional 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 Additional 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 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 (the "Equivalent Property") to the Additional Notes (under the Bond Derivative Transaction) 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 Additional Notes at any time to any third party, although it will retain economic exposure to the Equivalent Property for so long as GSI has a future obligation, whether or not contingent, to deliver the Equivalent Property. Upon the occurrence of a credit event, GSI will retain the Gold and the 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 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 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, 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 Additional Notes transferred to GSI) and is required to transfer to the Ministry of Economy and Finance 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 Additional 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 Additional Notes to the applicable holders of the Additional Notes, and will have certain remedies against the Central Bank.

Article 124 of the *Código Orgánico de Planificación y Finanzas Públicas* (the "Public Planning and Finance Code") establishes a total public debt to GDP ceiling of 40%. According to the Ministry of Economy and Finance, as of the close of August 2017, it is estimated that the Republic's total public debt to GDP will be approximately 29.8% (after taking into account the effect of the GSI Loan Facility).

Article 133 of the Rules to the Public Planning and Finance Code sets forth that 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 of the Republic of Ecuador issued implementing regulations through the enactment of Decree 1218, which is currently in effect. Decree 1218, establishes that the Ministry of Economy and Finance shall 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. See "Public Debt-Decree 1218" in the Offering Circular attached as Appendix B. 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, has been used to calculate the total public debt to GDP ratio.

Accordingly, the Ministry of Economy and Finance has not considered the aggregate amount of the Additional Notes in the calculation of total public debt to GDP ceiling as described above, as it has been accounted as a "contingency" (*pasivo contingente*) 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 the Additional Notes should be treated as contingencies under the IMF GFS and in the Public Planning and Finance Code because they form part of a series of transactions which contemplate that any interest amounts on the Additional Notes will be returned to the Central Bank as provided in the Bond Derivative Transaction and through the Swap Agreement to the Republic, GSI has agreed to retain economic exposure to the Equivalent Property and, unless a credit event occurs, GSI is required to return 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, the Additional Notes (as part of the Bond Derivative Transaction) are 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 will also exclude the Additional Notes from certain other unconsolidated measures which reflect the amount of its indebtedness owed to the Central Bank and other governmental agencies.

There is currently no precedent in Ecuador for similar transactions being treated as a contingency, such as the Additional Notes in the context of the Bond Derivative Transaction, as the IMF GFS guidelines were recently implemented and adopted through Decree 1218. The treatment of the Additional Notes as a contingency may be subject to a subsequent Presidential decree implementing other methodologies or different interpretation of the IMF GFS guidelines. If the Additional Notes were not to be 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 increase by approximately 0.6% to 30.4% following the consolidation methodology, which, as of the date of this Supplement, is below the total public debt to GDP ceiling of 40% established by Ecuadorian law; however, if the 40% ceiling is surpassed in the future, it could potentially affect the ability of the Republic to incur further debt obligations. As of the date of this Supplement, the Additional Notes have not exceeded the total public debt to GDP ceiling and, as such, are considered validly issued. 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 Noteholders*" in the Offering Circular attached as Appendix B.

Updated Economic Indicators[1]

Table 1: Real and Nominal GDP [1]

(in millions of U.S. dollars, except for percentages)

	For the Year Ended December 31,			For the Six months ended June 30,	For the Six Months ended June 30,
	2014	**2015**	**2016**	**2016**	**2017**
Nominal GDP	101,726	99,290	98,614	48,912	50,772
Real GDP [2]	70,105	70,175	69,068	34,335	35,291
Real GDP growth[3]	3.8%	0.1%	-1.6%	-2.9%	2.8%

(1) Figures in this table are updated from those in the Offering Circular for the 2023 Notes in accordance with the Central Bank's Quarterly Bulletin on National Accounts for the Second Quarter of 2017.

(2) 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.

(3) Real GDP Growth measured as compared to Real GDP figure from the corresponding period of the previous year.

[1] The economic indicators in this Supplement only reflect data that has been released since the date of the Offering Circular for the 2023 Notes. The Supplement does not reproduce all of the tables and data presented in the Offering Circular for the 2023 Notes. Please see the relevant sections in the Offering Circular for the 2023 Notes for more detailed data.

Table 2: Per Capita GDP

	For the Year Ended December 31,			
	2013	2014	2015	2016
Per capita Nominal GDP (current U.S.$)	6,031	6,347	6,099	5,966
Per capita Real GDP	4,282	4,374	4,311	4,179
Population (in thousands)[1]	15,775	16,027	16,279	16,529

Source: Based on figures from Table 4.3.5 of the Central Bank's Monthly Bulletin for August 2017.

(1) Population figures correspond to projected population annual figures from 2010 census.

Table 3: Real GDP by Expenditure

(in millions of dollars)

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2014	2015	2016	2016	2017
Consumption					
Public Sector Consumption	10,252.3	10,471.8	10,293.4	5,132.6	5,214.3
Private Consumption	43,088.8	43,049.2	41,485.0	20,559.2	21,349.9
Total Consumption	53,341.2	53,521.0	51,778.4	25,691.8	26,564.2
Gross Investment					
Gross Fixed Capital Formation	18,626.3	17,465.3	16,049.4	8,071.7	7,848.5
Change in Inventory	471.2	-123.1	-508.5	-461.9	472.9
Exports of goods and services[1]	19,342.0	19,218.8	19,610.2	9,736.4	9,923.1
Imports of goods and services [1]	21,675.4	19,907.4	17,861.0	8,702.9	9,518.0
Real GDP	70,105.4	70,174.7	69,068.5	34,335.2	35,290.8

Source: Based on figures from the Central Bank Quarterly National Accounts for the Second Quarter of 2017.

(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 Supplement.

Table 4: Real GDP and Expenditure Growth

(Percentage change from previous comparable period based on 2007 prices)

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2014	2015	2016	2016	2017
Real GDP Growth	3.8	0.1	-1.6	-2.9	2.8
Import of goods & services [1]	4.8	-8.2	-10.3	-17.6	9.4
Total Supply of Goods & Services	**4.0**	**-1.9**	**-3.5**	**-6.3**	**4.1**
Public Sector Consumption	6.7	2.1	-1.7	-2.8	1.6
Private Consumption	2.7	-0.1	-3.6	-5.6	3.9
Gross Fixed Capital Formation	2.3	-6.2	-8.1	-10.7	-2.8
Exports of goods and services[1]	6.2	-0.6	2.0	0.1	1.9
Total Final Demand	**4.0**	**-1.9**	**-3.5**	**-6.3**	**4.1**

Source: Based on figures from the Central Bank Quarterly National Accounts for the Second Quarter of 2017.

(1) Corresponds to figures from "Real GDP by Expenditure" table.

Table 5: Nominal GDP by Economic Sector (1)

(in millions of U.S. dollars, except for percentages)

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2014	% of GDP	2015	% of GDP	2016	% of GDP	2016	% of GDP	2017	% of GDP
Manufacturing[2]	13,717	13.48	13,513	13.61	13,622	13.81	6,801	13.90	6,952	13.69
Construction	10,891	10.71	11,125	11.20	11,871	12.04	6,002	12.27	5,620	11.07
Petroleum	10,913	10.73	4,344	4.38	3,375	3.42	1,512	3.09	1,967	3.87
Trade (commerce)	10,545	10.37	10,218	10.29	9,637	9.77	4,761	9.73	5,036	9.92
Agriculture	8,122	7.98	8,406	8.47	8,344	8.46	4,120	8.42	4,347	8.56
Community services	7,833	7.70	8,499	8.55	8,692	8.81	4,277	8.74	4,454	8.77
Government services[3]	6,682	6.57	6,660	6.71	6,849	6.95	3,451	7.06	3,415	6.73
Administrative activity[4]	7,016	6.90	6,887	6.94	6,388	6.48	3,190	6.52	3,154	6.21
Transportation	4,338	4.26	4,773	4.81	5,139	5.21	2,529	5.17	2,687	5.29
Finance and insurance	3,166	3.11	3,165	3.19	3,094	3.14	1,517	3.10	1,720	3.39
Telecommunications	2,127	2.09	1,984	2.00	1,972	2.00	974	1.99	1,034	2.04
Electricity and water	1,253	1.23	1,509	1.52	1,594	1.62	748	1.53	918	1.81
Shrimp	563	0.55	445	0.45	499	0.51	240	0.49	257	0.51
Mining	354	0.35	346	0.35	449	0.46	214	0.44	238	0.47
Others [5]	14,208	13.97	17,427	17.55	17,088	17.33	8,576	17.53	8,972	17.67
Total GDP	**101,726**	**100**	**99,290**	**100**	**98,614**	**100**	**48,912**	**100**	**50,772**	**100**

Source: Based on information from the Central Bank.

(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.

Table: 6: Annual Inflation

	As of September 30,	
	2016	2017
Annual inflation	1.30%	-0.03%

Table: 7: International Reserves

(in millions of U.S. dollars)

	As of September 30,	
	2016	2017
International reserves[1]	4,472.9	2,362.4

(1) 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 (“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.

Table 8: Unemployment Rate

	As of June 30, 2017
The Economy	
Unemployment Rate[4]	4.5%

Table 9: Labor Force and Employment

(in thousands of persons, except percentages)

	June 2017
Total Population[1]	16,746
Labor Force [2]	11,856
Labor Force Participation [3]	8,148
Labor Force Participation Rate	68.7%
Employed Labor Force	7,782
Unemployed Labor Force	366
Unemployment Rate [4]	4.5%

Source: *Based on figures from INEC as of June 2017.*

(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.

Table 10: Wage and Unemployment

	June 30, 2017
Unemployment rate (% of economically active population)[1]	4.5
Underemployment rate (% of economically active population)[2]	54.93

Source: Based on figures from INEC as of June 2017.

(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.

Table 11: Annual Balance of Payments[1]

(in millions of U.S.$)

	2012	2013	2014	2015	2016
Current Account	**-165.3**	**-923.4**	**-523.4**	**-2,108.3**	**1,437.6**
Trade balance	**49.9**	**-528.6**	**-63.5**	**-1,649.8**	**1,567.3**
Exports (FOB)[2]	24,568.9	25,586.8	26,596.5	19,048.7	17,425.4
Petroleum and derivatives	13,792.0	14,107.2	13,275.5	6,660.1	5,459.2
Non-petroleum	9,972.8	10,643.7	12,448.9	11,670.6	11,338.5
Non-registered commerce and other exports	804.1	835.9	872.0	718.1	627.7
Imports (FOB)	-24,519.0	-26,115.3	-26,660.0	-20,698.5	-15,858.1
Services	**-1,394.3**	**-1,419.6**	**-1,170.7**	**-805.2**	**-1,054.5**
Rendered services (credit)	1,804.0	2,041.4	2,346.3	2,391.3	2,139.9
Transportation	408.7	435.8	437.0	444.3	409.8
Travel	1,032.5	1,246.2	1,482.1	1,551.4	1,443.6
Other	362.8	359.4	427.1	395.7	286.4
Rendered services (debit)	-3,198.4	-3,460.9	-3,517.0	-3,196.6	-3,194.3
Transportation	-1,708.4	-1,708.9	-1,743.9	-1,510.1	-1,238.2
Travel	-610.6	-622.5	-634.6	-638.6	-661.1
Other	-879.4	-1,129.5	-1,138.5	-1,047.8	-1,295.0
Investment income	**-1,301.1**	**-1,374.1**	**-1,553.3**	**-1,731.1**	**-1,855.5**
Inflows (credit)	104.9	112.6	120.7	140.3	161.4
Outflows (debit)	-1,406.0	-1,486.7	-1,674.0	-1,871.4	-2,016.9
Employees' remuneration	-8.4	-9.8	-11.4	-13.5	-14.4
Direct investment income	-674.4	-680.5	-663.2	-598.0	-433.1
Portfolio investment income	-64.0	-63.7	-143.2	-230.9	-300.7
Other	-659.2	-732.7	-856.1	-1,029.0	-1,268.7
Net transfers	**2,480.2**	**2,398.8**	**2,264.1**	**2,077.8**	**2,780.3**
Emigrant remittances	2,466.9	2,449.5	2,461.7	2,377.8	2,602.0
Capital and financial account	**-514.0**	**2,914.6**	**323.5**	**584.7**	**-130.1**
Capital account	**121.5**	**66.1**	**66.8**	**-69.1**	**-813.8**
Financial account	**-635.5**	**2,848.5**	**256.8**	**653.8**	**683.8**
Direct Investment	567.5	727.0	772.3	1,322.0	754.6
Portfolio Investment	66.7	-909.8	1,500.4	1,473.4	2,200.9
Other Investment	-1,269.7	3,031.3	-2,015.9	-2,141.6	-2,271.8
Errors and omissions	**97.4**	**-145.3**	**-224.6**	**35.2**	**-100.8**
Total balance of payments	**-581.9**	**1,845.9**	**-424.5**	**-1,488.4**	**1,206.7**
Financing	**581.9**	**-1,845.9**	**424.5**	**1,488.4**	**-1,206.7**
International Reserves [3]	475.1	-1,878.0	411.5	1,453.1	-1,762.9
IMF loans	-	-	-	-	365.2
Exceptional Financing, net[4]	106.8	32.1	13.0	35.3	191.0

Source: Based on figures from the Central Bank 2017 Quarterly Balance of Payments Bulletin for the Second Quarter of 2017. 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.

Table 12: Quarterly Balance of Payments[1]

(in millions of U.S.$)

	For the Quarter Ended,			
	March 2016	**June 2016**	**March 2017**	**June 2017**
Current Account	**-54.8**	**954.2**	**307.5**	**59.2**
Trade balance	**20.3**	**846.2**	**533.5**	**199.2**
Exports (FOB) [2]	3,786.4	4,460.3	4,855.4	4,825.9
Imports (FOB)	-3766.0	-3,613.8	-4,321.9	-4,626.7
Services	**-196.8**	**-259.9**	**-243.6**	**-277.1**
Rendered services (credit)	565.4	492.4	556.6	530.5
Transportation	91.5	102.2	94.5	102.5
Travel	391.8	315.3	397.8	372.4
Other	82.0	74.8	64.3	55.5
Rendered services (debit)	-762.2	-752.2	-800.2	-807.6
Transportation	-297.7	-283.7	-340.3	-357.3
Travel	-162.1	-158.1	-164.5	-170.9
Other	-302.3	-310.4	-295.4	-279.4
Investment income	**-471.2**	**-464.7**	**-600.6**	**-546.2**
Inflows (credit)	38.9	37.0	45.3	43.7
Outflows (debit)	-510.1	-501.7	-645.9	-590.0
Employees' remuneration	-3.9	-3.9	-3.6	-3.3
Other outflows investment income[3]	-506.2	-497.8	-642.2	-586.7
Net transfers	**592.9**	**832.3**	**618.2**	**683.4**
Emigrant remittances	594.7	669.5	625.7	698.9
Other transfers	110.9	288.8	116.2	119.6
Outgoing transfers	-112.8	-126.0	-123.7	-135.1
Capital and financial account	**-144.7**	**-49.1**	**-763.4**	**616.7**
Capital account	**-535.5**	**-314.3**	**15.2**	**16.7**
Financial account	**390.8**	**265.2**	**-778.5**	**600.0**
Direct Investment	198.6	128.5	184.9	175.1
Portfolio Investment	-328.1	92.5	1,033.2	2,372.3
Other Investment	520.3	44.1	-1,996.6	-1,947.4
Errors and omissions	**108.7**	**-50.6**	**-5.1**	**-23.7**
Total balance of payments	**-90.7**	**854.5**	**-460.9**	**652.3**
Financing	**90.7**	**-854.5**	**460.9**	**-652.3**
International Reserves [4]	-77.1	-860.7	449.2	-657.5
IMF loans	-	-	-	-
Exceptional Financing, net [5]	167.9	6.2	11.6	5.3

Source: Based on figures from the Central Bank 2017 Quarterly Balance of Payments Bulletin for the Second Quarter of 2017. 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.

Table 13: Overall Balance of Trade [1]

(in millions of U.S.$)

	Exports	**Imports**	**Balance**
First Quarter of 2016	3,786.4	-3,766.0	20.3
Second Quarter of 2016	4,460.3	-3,613.8	846.5
First Quarter of 2017	4,855.4	-4,321.9	533.5
Second Quarter of 2017	4,825.9	-4,626.7	199.2

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the Second Quarter of 2017.

[1] Data for exports and imports reflect figures from "Balance of Payments" chart.

Table 14: Consolidated Non-financial Public Sector Revenues and Expenditures

(in millions of U.S.$ and as a % of GDP)

	For the year ended December 31,				January 1- June 30[1]	
	2015	% of GDP	2016	% GDP	2016	2017
Revenue						
Petroleum Revenue						
Exports[2]	6,346	6.4	5,402	5.5	2,529	2,548
Domestic Sales	-	-	-	-	-	-
Total Petroleum Revenue (a)	**6,346**	**6.4**	**5,402**	5.5	2,529	2,548
Non-petroleum revenue						
Income Tax	4,734	4.8	3,640	3.7	2,057	2,147
Value-added Tax	6,352	6.4	5,400	5.5	2,666	2,970
Specific consumption taxes	840	0.8	790	0.8	356	445
International trade taxes	2,026	2.0	1,633	1.7	746	732
Social Security Contributions	5,052	5.1	4,741	4.8	2,305	2,740
Other[3]	6,933	7.0	8,091	8.3	3,516	4,037
Total non-petroleum revenue (b)	**25,937**	**26.1**	**24,294**	**24.8**	**11,649**	**13,071**
Operating Income of Public Companies (c)	**1,298**	**1.3**	**618**	**0.6**	**261**	**947**
Total Revenue (a+b+c)	**33,581**	**33.8**	**30,314**	**40.0**	**14,437**	**16,566**
Expenses						
Current Expenditures						
Interest	1,368	1.4	1,561	1.6	732	996
Foreign	1,143	1.2	1,335	1.4	624	906
Domestic	225	0.2	226	0.2	109	90
Wages and salaries	9,904	10.0	10,014	10.2	4,704	4,858
Purchases of goods and services	5,111	5.1	4,684	4.8	2,104	1,932
Social Security	4,216	4.3	4,655	4.8	2,121	2,354
Others	6,884	6.9	5,691	5.8	2,858	2,733
Total Current Expenditure	**27,483**	**27.7**	**26,604**	**27.2**	**12,520**	**12,872**
Capital Expenditure and net lending						
Gross capital formation	10,344	10.4	10,293	10.5	3,409	3,876
General State Budget	5,542	5.6	6,105	6.2	1,374	2,264
Public Companies	3,286	3.3	2,533	2.6	1,368	848
Rest of General Government	1,516	1.5	1,655	1.7	667	764
Other Capital Expenditure	850	0.9	731	0.7	342	535
Total Capital Expenditure	**11,194**	**11.3**	**11,024**	**11.3**	**3,751**	**4,411**
Total Expenditure	**38,677**	**39.0**	**37,628**	**38.5**	**16,271**	**17,283**
Surplus/Deficit	**-5,096**	**-5.1**	**-7,314**	**-7.5**	**-1,834**	**-717**

Source: Based on figures from the Central Bank August 2017 Monthly Bulletin (Table 2.1 and Table 2.2).

[1] Figures for the period from January 1, 2017 through June 30, 2017, were calculated based on figures published for the first trimester of 2017 and aggregations of figures corresponding to April 2017, May 2017 and June 2017, respectively.

[2] 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.

[3] Includes other taxes and revenue.

Table 15: General State Budget Revenues and Expenditures

(in millions of U.S.$)

	January 1 – June 30[1]	
	2016	2017
Revenue[2]		
Petroleum revenue	836	880
Non-petroleum revenue	7,939	8,536
Tax revenue		
Taxes on goods and services		
Value-added tax	2,666	2,970
Selected excise taxes	356	445
Total taxes on goods and services	3,022	3,415
Taxes on income and profits	2,057	2,148
Taxes on International Trade		
Import duties	746	732
Exit tax[3]	406	438
Total taxes on international trade	1,152	1,170
Vehicle tax	106	104
Other taxes	423	611
Total tax revenue	6,760	7,447
Non-tax revenue	970	959
Transfers	209	131
Total revenues	8,775	9416
Current expenditure		
Interest accrual		
Foreign	535	791
Domestic	392	416
Total interest accrual		
Wages and salaries	4,157	4,268
Purchase of goods and services	836	964
Other current expenditures	380	320
Transfers	470	629
Total current expenditure	6,770	7,388
Capital expenditure		
Fixed capital expenditure	1,374	2,264
Other	218	-
Capital Transfers	1,702	1,653
Total capital expenditure	3,293	3,916
Total Expenditure[3]	10,063	11,304
Adjustment on treasury accounts	-	-
Overall surplus or deficit	-1,288	-1,888

Source: Based on figures from the Central Bank August 2017 Monthly Bulletin (Table 2.2.1)

(1) Figures for the period from January 1, 2017 through June 30, 2017, were calculated based on figures published for the first trimester of 2017 and aggregations of figures corresponding to April 2017, May 2017 and June 2017, respectively.

(2) Revenues are cash, expenditures are accrued.

(3) Includes all interest payments under foreign debt obligations.

Table 16: Exports - (FOB)

(in millions of U.S.$ and as a % of total exports)

	January 1 – July 31,			
	2016		2017	
	U.S.$	%	U.S.$	%
Crude oil	2,676	28.6	3,466	31.5
Bananas and plantains	1,622	17.3	1,891	17.2
Petroleum derivatives	227	2.4	352	3.2
Shrimp	1,447	15.4	1,764	16.0
Cacao	319	3.4	301	2.7
Coffee	7	0.1	9	0.1
Tuna and other fish	160	1.7	137	1.2
Flowers	497	5.30	566	5.1
Metal Manufacturing[1]	231	2.5	238	2.2
Other products[2]	2,182	23.3	2,275	20.7
Total[3]	**9,368**	**100**	**10,998**	**100**

Source: Based on figures from the Central Bank August 2017 Monthly Bulletin (Table 3.1.1).

(1) Includes vehicles and their components.

(2) "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 and textile manufactured products.

(3) 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.

Table 17: Imports – (CIF)

(in millions of U.S.$ and as a % of total imports)

	January – July 31,			
	2016		2017	
	U.S.$	%	U.S.$	%
Consumer goods				
Non-durable goods	1,156	13.1	1,325	12.2
Durable goods	670	7.6	951	8.7
Postal traffic	72	0.8	92	0.8
Fuel and combustibles	1,381	15.7	1,822	16.7
Primary Materials				
Agriculture	601	6.8	672	6.2
Industrial	2,401	27.2	3,139	28.8
Construction materials	218	2.5	271	2.5
Capital Goods				
Agriculture	65	0.7	77	0.7
Industrial	1,690	19.2	1,845	16.9
Transportation Equipment	532	6.0	661	6.1
Other	37	0.4	31	0.3
Total	**8,823**	**100**	**10,885**	**100**

Source: Based on figures from the Central Bank August 2017 Monthly Bulletin (Table 3.1.7).

(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) "Other products" consist of non-traditional primary and manufactured products, including canned seafood, vehicles and chemicals.

Table 18: Exports - (FOB) by Destination Country[1]

(in millions of U.S.$, and as a % of total exports)

	January - July			
	2016		2017	
	U.S. $	%	U.S.$	%
Americas				
United States	3,081	32.9	3,651	33.2
Peru	459	4.9	680	6.2
Colombia	445	4.7	434	4.0
Chile	602	6.4	752	6.8
Other (Americas)[2]	989	10.6	951	8.7
Total Americas	5,576	59.5	6,468	58.8
Europe				
European Union (EU)	1,652	17.6	1,889	17.2
Italy	253	2.7	359	3.3
United Kingdom	85	0.9	116	1.1
Germany	329	3.5	292	2.7
Spain	316	3.4	354	3.2
Other (EU)[3]	669	7.1	769	7.0
Rest of Europe[4]	520	5.6	582	5.3
Total Europe	2,172	23.2	2,471	22.5
Asia				
Taiwan	4	0.0	8	0.1
Japan	162	1.7	199	1.8
China	355	3.8	425	3.9
South Korea	45	0.5	67	0.6
Other countries[5]	962	10.3	1,303	11.9
Total Asia	1,528	16.3	2,002	18.2
Africa	44	0.5	22	0.2
Oceania	31	0.3	33	0.3
Other countries	18	0.2	2	0.0
Total	**9,368**	**100**	**10,998**	**100**

Source: Central Bank August 2017 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 of Asia.

Table 19: Imports (CIF) by Country of Origin

(in millions of U.S.$)

	January - July	
	2016	**2017**
Americas[1]		
Mexico	270	362
United States	2,360	2,606
Central America	56	63
South America and the Caribbean		
Argentina	94	195
Brazil	363	461
Bolivia	91	95
Colombia	714	939
Chile	246	296
Panama	422	628
Peru	386	432
Rest of Americas and Caribbean	193	264
TOTAL AMERICA	**5,195**	**6,342**
Europe		
Germany	226	275
Italy	152	138
Spain	188	323
UK	28	42
Rest of EU[2]	403	627
Rest of Europe[3]	197	156
TOTAL EUROPE	**1,195**	**1,561**
Asia		
China	1,348	1,616
Japan	159	226
Taiwan	70	74
South Korea	294	341
Rest of Asia[4]	429	568
TOTAL ASIA	**2,301**	**2,825**
Postal Traffic and regions excluding the Americas, Europe and Asia[5]	132	157
Total	**8,823**	**10,885**

Source: Central Bank August 2017 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.

Table 20: Foreign Investment by Sector

(in millions of U.S.$, and as a % of total foreign investment)

	For the Year Ended December 31										For January 1 – June 30			
	2012		2013		2014		2015		2016		2016		2017	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Agriculture, forestry, hunting and fishing	17.8	3.1	20.8	2.9	38.9	5.0	67.8	5.1	42.0	5.6	10.8	3.3	65.0	18.0
Commerce [1]	83.3	14.7	110.3	15.2	148.5	19.2	172.9	13.1	122.2	16.2	56.7	17.3	76.2	21.2
Construction	31.6	5.6	69.2	9.5	4.7	0.6	6.8	0.5	30.5	4.0	26.6	8.1	5.0	1.4
Electricity, gas and water	46.4	8.2	29.2	4.0	-4.7	-0.6	61.8	4.7	1.2	0.2	1.1	0.3	1.9	0.5
Petroleum [2]	224.9	39.7	252.9	34.8	685.6	88.8	559.8	42.4	461.7	61.2	202.9	62.0	38.0	10.6
Manufacturing	135.6	23.9	137.9	19.0	107.7	14.0	264.1	20.0	37.5	5.0	10.4	3.2	106.0	29.5
Social and personal services	1.7	0.3	-2.3	-0.3	14.1	1.8	-10.8	-0.8	-9.9	-1.3	-6.7	-2.1	-1.3	-0.4
Services rendered to businesses	39.5	7.0	117.7	16.2	24.4	3.2	243.3	18.4	21.9	2.9	15.3	4.7	27.4	7.6
Transportation, storage and telecommunications	-13.4	-2.4	-8.5	-1.2	247.0	-32.0	-43.6	-3.3	47.5	6.3	10.1	3.1	41.9	11.6
Total	**567.5**	**100**	**727.0**	**100**	**772.3**	**100**	**1,322.0**	**100**	**754.6**	**100**	**327.1**	**100**	**360.0**	**100**

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the Second Quarter of 2017

[1] Commerce includes investment in commercial infrastructure and real estate.

[2] Includes mining and natural gas.

Table 21: Petroleum Production

(in thousands of barrels per year, except where noted)

	January 1 – August 31,	
	2016	2017
Public Companies[1]	104,979	102,504
Other operators	28,633	27,516
Total	**133,612**	**130,020**
Petroleum production per day[2]	548	535

Source: Petroleum data is based on figures from the Central Bank September 2017 Monthly Bulletin (Table 4.1.1).

[1] Public company numbers include the production of Rio Napo, CEM, ("Rio Napo"). Petroamazonas and PDVSA own Rio Napo, with 70% and 30% interests, respectively.

[2] Petroleum information is displayed in thousands of barrels per day as an average.

Table 22: Public Sector External Debt

(by debtor, in billions of U.S. dollars at the end of the year, except percentages)

	As of August 31,	
	2016	2017[1]
Central Government	20.94	25.57
Public financial and non-financial entities	2.67	3.08
Total	23.62	28.65
External public debt as a percentage of nominal GDP[2]	24.6%	28.4%

Source: Ministry of Economy and Finance August 2017 Bulletin.

[1] Includes the 2024 Bonds, the 2020 Bonds, the 2022 Bonds, the 2026 Bonds, the 2023 Bonds and the 2027 Bonds.

[2] Calculated using Central Bank GDP data, except for August 2017 percentage which is calculated using estimates from the Ministry

Table 23: Public Sector External Debt by Type of Creditor

(in billions of U.S. dollars)

	As of August 31,	
	2016	2017
Multilateral	8.04	8.34
Bilateral	7.84	7.73
Commercial and Bonds	7.74	12.59
Total Public Sector External Debt	**23.62**	**28.66**

Source: Ministry of Economy and Finance August 2017 Bulletin.

Table 24: Material Public External Debt

(in millions U.S.$)

Creditor	Balance as of August 31, 2017
Multilateral	
IBD	**4,674.40**
CAF	**3,230.52**
FLAR	**77,20**
Others [(1)]	**357,92**
Total Multilateral Debt	**8,340,04**
Bilatera	
China	**6,716,32**
Brazil	**190,72**
Spain	**164,47**
Italy	**4,2**
Japan	**35,40**
Others [(2)] [(3)]	**619,47**
Total Bilateral Debt	**7,730,60**
Other Debt [(4)]	**12,588,79**
Total External Debt	**28,659,43**

Source: Ministry of Economy and Finance as of August 2017.

(1) Other multilateral loans include loans with the International Fund for Agricultural Development and the *Banco Internacional de Reconstrucción y Fomento.*

(2) Includes amounts from loans from Paris Club members.

(3) Other bilateral lenders include South Korea, Germany, France, and the United States, among others.

(4) "Other debt" includes commercial debt and amounts owed under the 2030 Bonds, the 2020 Bonds, the 2022 Bonds, the 2024 Bonds, the 2026 Bonds, the 2023 and 2027 Bonds and the Brady Bonds.

Table 25: Interest on Public Sector External Debt

(in millions of U.S. dollars, except percentages)

	At August 31, 2017	
	Amount	**Percentage**
Fixed Rate	1,441.9	5.03%
0-3%	574.0	2.00%
3-5%	8,730.7	30.46%
5-8%[(1)]	7,639.1	26.65%
More than 8%[(2)]	10,273.7	**35.85%**
Floating	**28,659.4**	**100.00%**
Total	1,441.9	5.03%

Source: Ministry of Economy and Finance August 2017 Bulletin.

(1) Reflect the amounts under the 2024 Bonds

(2) Reflects the amounts under the 2015 Bonds, the 2020 Bonds, the 2022 Bonds, the 2026 Bonds, the 2023 Bonds, the 2027 Bonds and the 2030 Bonds.

Table 26: Public Sector External Debt Service Maturity 2017-2027

(in millions of U.S. dollars)

	For the Year Ending December 31,										
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Central Government	**4,043**	**3,856**	**3,572**	**4,810**	**2,797**	**4,583**	**3,296**	**3,919**	**1,620**	**3,045**	**3,393**
Principal................	2,426	2,134	1,941	3,317	1,497	3,462	2,397	3,209	1,042	2,505	3,148
Interest..................	1,617	1,723	1,631	1,493	1,301	1,121	899	710	578	540	245
Rest of Public Sector	**672**	**1,021**	**954**	**497**	**267**	**193**	**170**	**150**	**128**	**112**	**88**
Principal................	497	863	838	417	210	145	127	114	96	84	65
Interest................	176	158	116	79	57	48	42	37	32	28	24
Total Debt Service	**4,715**	**4,877**	**4,526**	**5,306**	**3,065**	**4,776**	**3,466**	**4,070**	**1,748**	**3,157**	**3,482**

Source: Ministry of Economy and Finance as of August 2017

Table 27: Public Sector Internal Debt

(in billions of U.S. dollars, except percentage)

	As of August 31,	
	2016	2017
Central Government Notes	12.42	14.19
Governmental Entities [1]	0.76	0.76
Total[2]	**13.18**	**14.95**
Internal public debt as a percentage of nominal GDP[3]	**13.7%**	**14.8%**

(1) Direct issuances backed by IESS and the Ecuadorian Development Bank. Government is the debtor under all internal debt issuances.
(2) Total public sector internal debt under the aggregation methodology.
(3) Calculated using Central Bank GDP data.

Table 28: Public Sector Internal Debt

(in millions of U.S.$, except percentages)

	As of August 31	
	2017	
	U.S.$	%
Short-term notes	–	–
Long-term notes [1]	14,187	94.9
AGD notes [2]	–	–
CFN notes [3]	–	–
Total notes	14,187	94.9
Governmental Entities[4]	**765.4**	**5.1**
Total internal debt[5]	**14,952**	**100%**

Source: Ministry of Economy and Finance August 2017.

(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) Direct issuances backed by IESS and the Ecuadorian Development Bank.
(5) Total public sector internal debt under the aggregation methodology.

Table 29: Debt to GDP Ratio

(in millions of U.S.$, other than percentages)

	As of August 31,	
	2016	2017
Consolidated Total Debt	24,705.4[1]	29,569.1
Consolidated Debt to GDP Ratio	25.7	29.3[2]

Source: Ministry of Economy and Finance August 2017 Bulletin

(1) December 2016 figures and August 2016 figures based on Ministry of Economy and Finance's December 2016 and August 2016 Bulletin respectively.
(2) Based on Ministry of Economy and Finance's estimate of projected GDP, which differs from look-back data from the Central Bank.

THE ADDITIONAL NOTES 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 Supplement and in the attached Offering Circulars, in particular in the sections entitled the “Offering” *and* “Description of the Notes” *in each attached Offering Circular. Each series of Additional Notes will have identical terms and conditions as its respective series of Original Notes, other than the issue date and issue price as described below.*

Issuer:

The Republic of Ecuador.

Additional Notes Issue Amount:

Additional 2022 Notes: U.S.$378,000,000. Upon consummation of this Additional Notes offering, the aggregate principal amount of the 2022 Notes will be U.S.$2,378,000,000.

Additional 2023 Notes: U.S.$187,000,000. Upon consummation of this Additional Notes offering, the aggregate principal amount of the 2023 Notes will be U.S.$1,187,000,000.

Additional 2026 Notes: U.S.$41,000,000. Upon consummation of this Additional Notes offering, the aggregate principal amount of the 2026 Notes will be U.S.$ 1,791,000,000.

Securities Offered:

U.S.$378,000,000 principal amount of 10.750% notes due 2022. Consolidated with and forming a single series, from and including the Issue Date, with the 2022 Notes issued originally on July 28, 2016 and reopened on September 30, 2016, in the aggregate principal amount of U.S.$2,000,000,000.

U.S.$187,000,000 principal amount of 8.750% notes due 2023. Consolidated with and forming a single series, from and including the Issue Date, with the 2023 Notes issued on June 2, 2017, in the aggregate principal amount of U.S.$1,000,000,000.

U.S.$41,000,000 principal amount of 9.650% notes due 2026. Consolidated with and forming a single series, from and including the Issue Date, with the 2026 Notes originally issued on December 13, 2016, and reopened on January 13, 2017, in the aggregate principal amount of U.S.$1,750,000,000.

Issue Format:

Rule 144A/Regulation S; however, with respect to the offer and sale of the Additional Notes by the Republic, no Additional Notes will be offered and sold in the United States or to U.S. persons.

Issue Price:

112.878% plus accrued interest from September 28, 2017 to but excluding October 16, 2017, which equals U.S.$1,918.87500 per U.S.$1,000 principal amount of Notes for a total of U.S.$1,918,875.00.

104.412% plus accrued interest from June 2, 2017 to but excluding October 16, 2017, which equals U.S.$6,045.03472 per U.S.$1,000 principal amount of Notes for a total of U.S.$ 6,045,034.72.

106.664% plus accrued interest from June 13, 2017 to but excluding October 16, 2017, which equals U.S.$1,340.81389 per U.S.$1,000 principal amount of Notes for a total of U.S.$1,340,813.89.

Issue Date: October 16, 2017.

Maturity Date: 2022 Notes: March 28, 2022.

2023 Notes: June 2, 2023.

2026 Notes: December 13, 2026.

Interest: 2022 Notes: 10.750% per annum, computed on the basis of a 360-day year of twelve 30 day months.

2023 Notes: 8.750% per annum, computed on the basis of a 360-day year of twelve 30 day months.

2026 Notes: 9.650% per annum, computed on the basis of a 360-day year of twelve 30 day months.

Interest Payment Dates: 2022 Notes: Each March 28 and September 28, commencing on March 28, 2018.

2023 Notes: Each June 2 and December 2, commencing on December 2, 2017.

2026 Notes: Each June 13 and December 13, commencing on December 13, 2017.

Form: The Additional Notes will be 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. Additional Notes in definitive certificated form will not be issued in exchange for the global notes except under limited circumstances.

Denominations: The Republic will issue the Additional Notes only in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Ranking: The Additional 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 Excluded Indebtedness), provided, that, such ranking is in terms of priority only and does not require that Ecuador make ratable payments on the Additional Notes with payments made on its other External

Indebtedness.

Use of Proceeds: The Republic will use the proceeds of U.S.$606 million of the Additional Notes in accordance with the limitations of the Public Planning and Finance Code, as further described in "*Use of Proceeds*" on page 27 of this Supplement. For more information regarding use of proceeds, see "*Recent Developments—Public Debt—GSI Loan Facility*".

Trustee, Registrar and Transfer Agent: The Bank of New York Mellon.

London Paying Agent: The Bank of New York Mellon, London Branch.

Luxembourg Listing Agent, Transfer Agent and Luxembourg Paying Agent: The Bank of New York Mellon (Luxembourg) S.A.

Governing Law: The Additional 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.

Further Issues: The Republic may, from time to time, without the consent of the holders of the Additional Notes, create and issue additional notes having the same terms and conditions as the Additional Notes in all respects (or in all respects except for the amount of the first interest payment and the issue price) provided that:

(b) the notes are consolidated and form a single series with the outstanding Notes, and

(c) such additional notes do not have, for purposes of U.S. federal income taxation, a greater amount of original issue discount than the outstanding Additional Notes have as of the date of the issue of such additional notes (regardless of whether any holders of such Notes are subject to U.S. federal income taxation).

USE OF PROCEEDS

The use of proceeds for public debt is limited by the Public Planning and Finance Code (defined in the Offering Circular). 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 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 of the Republic.

The Republic will use the proceeds of the Additional Notes in accordance with the limitations of the Public Planning and Finance Code. For more information regarding use of proceeds, see "*Recent Developments—Public Debt—GSI Loan Facility*".

PLAN OF DISTRIBUTION

The Republic will sell the Additional Notes at the offering price set forth on the cover page of this Supplement outside the United States in reliance on Regulation S. The price at which the Additional Notes are offered may be changed at any time without notice.

The Additional Notes have not been and will not be registered under the Securities Act or any state securities law and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. With respect to the offer and sale of the Additional Notes by the Republic, no Additional Notes will be offered and sold in the United States or to U.S. persons. See "*Transfer Restrictions*" on each Offering Circular.

Although an application has been made to list the Additional Notes on the Official List of the Luxembourg Stock Exchange and to have the Additional Notes trade on the Euro MTF Market, the listing does not assure that a trading market for the Additional Notes will develop. No assurance can be given as to how liquid the trading market for the Additional Notes will be. The Republic cannot provide any assurances that the prices at which the Additional Notes will trade in the market after this offering will not be lower than the initial offering price or that an active trading market for the Additional Notes will develop and continue after this offering.

See sections "Selling Restrictions" in each of the Offering Circulars.

No action has been taken by the Republic that would, or is intended to, permit a public offer of the Additional Notes in any country or jurisdiction where any such action for that purpose is required.

Accordingly, the Republic will not, directly or indirectly offer or sell any Additional Notes or distribute or publish any offering circular, this Supplement and the Offering Circulars, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Additional Notes by it will be made on the same terms.

We expect that delivery of the Additional Notes will be made to investors on or about October 16, 2017, which we expect will be the third business day following the date of this Supplement (such settlement being referred to as "T+3"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise.

Notice to Ecuadorian Residents

The Additional Notes are not registered in the Securities Market Public Registry of Ecuador (Catastro Público del Mercado de Valores, CPMV) subject to the control and supervision of the Superintendence of Companies, Securities and Insurance (SCVS).

As unregistered securities, the Republic is not required to disclose public information about the Additional Notes in Ecuador. The Additional Notes may not be publicly offered in Ecuador unless they are registered in the CPMV.

This Supplement and other offering materials relating to the offer of the Additional Notes do not constitute a public offer of, or an invitation to subscribe for or purchase, the Additional Notes in the Republic of Ecuador, and the contents herein have not been approved by the SCVS.

VALIDITY OF THE NOTES

The validity of the Additional 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. 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.

In connection with the issuance of the Additional Notes, the Attorney General will issue a "Pronouncement" in relation to the Additional 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 Additional Notes, as well as the submission to arbitration provisions set out therein.

GENERAL INFORMATION

1. The Global Notes have been accepted for clearance and settlement through Euroclear and Clearstream, Luxembourg.

The common codes for the Regulation S Global Note and the Restricted Global Note with respect to the 2022 Notes are 145851467 and 145851696, respectively, and the International Securities Identification Numbers for the Regulation S Global Note and the Restricted Global Note are XS1458514673 and XS1458516967, respectively.

The common codes for the Regulation S Global Note and the Restricted Global Note with respect to the 2023 Notes are 162676873 and 162676865, respectively, and the International Securities Identification Numbers for the Regulation S Global Note and the Restricted Global Note are XS1626768730 and XS1626768656, respectively.

The common codes for the Regulation S Global Note and the Restricted Global Note with respect to the 2026 Notes are 153507198 and 153507210, respectively, and the International Securities Identification Numbers for the Regulation S Global Note and the Restricted Global Note are XS1535071986 and XS1535072109, respectively.

2. The Republic has obtained all necessary consents, approvals and authorizations in the Republic of Ecuador in connection with the issue and performance of the Additional Notes.

The issue of the original 2022 Notes was authorized by the Republic's Debt and Finance Committee under Acta Resolutiva No.013 dated June 20, 2016.

The issue of the reopened 2022 Notes was authorized by the Republic's Debt and Finance Committee under Acta Resolutiva No.020 dated September 27, 2016.

The issue of the 2023 Notes was authorized by the Republic's Debt and Finance Committee under Acta Resolutiva No. 011 dated May 30, 2017.

The issue of the original 2026 Notes was authorized by the Republic's Debt and Finance Committee under *Acta Resolutiva* No. 029 dated December 8, 2016.

The issue of the reopened 2026 Notes was authorized by the Republic's Debt and Finance Committee under Acta Resolutiva No.02 dated January 10, 2017.

The issue of the Additional Notes was authorized by the Republic's Debt and Finance Committee under *Acta Resolutiva* No. 014 dated October 10, 2017.

3. The Republic is involved in certain litigation and administrative arbitration proceedings. See "*Legal Proceedings*" on each of the Offering Circulars and "*Recent Developments – Legal Proceedings*" in this Supplement.

4. On November 23, 2016, Moody's Investors Service affirmed the Republic's long-term Government bond ratings at "B3" with a "stable outlook." On September 30, 2016, Standard & Poor's Ratings Services affirmed the Republic's foreign long-term issuer rating at "B" with a "stable outlook." On June 29, 2017, Standard & Poor's Ratings Services 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 was affirmed at "B," but the rating outlook was revised from "stable" to "negative." On August 25, 2017, Fitch Ratings affirmed the Republic's long-term foreign currency issuer default rating at "B" with a "negative" rating outlook.

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 Additional Notes. Each rating should be evaluated independently of the others. Detailed explanations of the ratings may be obtained from the rating agencies.

5. Application has been made to list the Additional Notes on the Official List of the Luxembourg Stock Exchange and to have the Additional Notes admitted to trading on the Euro MTF Market. So long as any of the Additional Notes are listed on the Luxembourg Stock Exchange, the Republic will maintain a paying agent and transfer agent in Luxembourg.

6. 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 in Luxembourg so long as any of the Additional Notes are listed on the Luxembourg Stock Exchange:

(a) each Indenture incorporating the forms of the respective Global Notes,

(b) this Supplement,

(c) the Offering Circulars,

(d) copies of the 2008 Constitution, and the Legislative Decrees of the Republic referred to in paragraph 2 above (in Spanish), and

(e) copies of the Republic's consolidated public sector fiscal accounts for the last calendar year (as and when available (in English).

7. Other than as disclosed herein and in the Offering Circulars, 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 Additional Notes.

8. Save as disclosed in "*Legal Proceedings*" in the Offering Circulars and "*Recent Developments – Legal Proceedings*" in this Supplement, 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 Additional Notes nor, as far as the Republic is aware, is any litigation pending or threatened.

ISSUER

The Republic of Ecuador
Ministry of Economy and Finance
Ave. 10 de Agosto 1661 y Jorge Washington
Quito, Ecuador

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You should rely only on the information contained in the Offering Circulars and this Supplement or to which Ecuador has referred you. Ecuador has not authorized anyone to provide you with information that is different. This Supplement may only be used where it is legal to sell these securities. The information in this Supplement may only be accurate on the date of this Supplement.

The Republic of Ecuador

U.S.$378,000,000 10.750% Notes due 2022
U.S.$187,000,000 8.750% Notes due 2023
U.S.$41,000,000 9.650% Notes due 2026

Offering Circular Supplement

October 11, 2017

OFFERING CIRCULAR SUPPLEMENT

The Republic of Ecuador

U.S.$688,268,000 8.750% Notes due 2023

The Republic of Ecuador (the “Republic” or “Ecuador”) and The Bank of New York Mellon, as trustee (the “Trustee”) have entered into the indenture dated June 2, 2017, as amended and supplemented on December 28, 2018, with respect to the 2023 Notes (as defined below) (the “Indenture”). Pursuant to the Indenture, the Republic has issued an initial U.S.$1,000,000,000 and an additional U.S.$187,000,000 of its 8.750% Notes due 2023 (together, the “2023 Notes” or the “Original Notes”).

The Republic is issuing an additional U.S.$688,268,000 aggregate principal amount of its 8.750% 2023 Notes (the “Additional Notes”). The Additional Notes will be additional notes issued under the Indenture. Each series of Additional Notes will have identical terms and conditions as its respective series of Original Notes, other than issue date and issue price, and each will be consolidated and form a single series with their respective series of Original Notes (the Additional Notes and the Original Notes, together the “Notes”). Each series of Additional Notes will vote together as a single class with its respective series of Original Notes. Upon issuance of the Additional Notes, the aggregate principal amount of 2023 Notes will be U.S.$1,875,268,000.

This Offering Circular Supplement (the “Supplement”) is supplemental to and should be read in conjunction with the Offering Circular dated May 30, 2017, and its supplement dated October 11, 2017 (the “Offering Circular”), attached as Appendix A to this Supplement. Terms defined in the Offering Circular shall have the same meaning in this Supplement. With effect from the date of this Supplement, the information appearing in the Offering Circular shall be amended and/or supplemented in the manner described in this Supplement.

There is currently no public market for the Additional Notes. Application has been made to list the Additional Notes on the Official List of the Luxembourg Stock Exchange and to have the Additional Notes admitted to trading on the Euro MTF Market. This Supplement, together with the Offering Circular, constitutes a prospectus for the purpose of the Luxembourg Law dated July 10, 2005 on prospectuses for securities, as amended. The Additional 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*” section of this Supplement regarding certain risk factors you should consider before investing in the Additional Notes.

Additional Notes Price: 106.597% plus accrued interest from December 2, 2018 to but excluding May 29, 2019

Delivery of the Additional Notes was made on or about May 29, 2019.

The Additional Notes have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"). The Additional 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"). There are no Additional Notes being offered and sold in the United States or to U.S. persons.

The Additional 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.

ANY OFFER OR SALE OF NOTES IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (THE "EEA") THAT HAS IMPLEMENTED DIRECTIVE 2003/71 EC (THE "PROSPECTUS DIRECTIVE") MUST BE ADDRESSED TO QUALIFIED INVESTORS (AS DEFINED IN THE PROSPECTUS DIRECTIVE).

The date of this Supplement is May 31, 2019.

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 the Offering Circular and this Supplement or to which the Republic of Ecuador has referred them. Ecuador has not authorized anyone to provide information that is different from the information contained in the Offering Circular and this Supplement. This Supplement and the Offering Circular may only be used where it is legal to sell these Additional Notes. The information in this Supplement may only be accurate on the date of this Supplement.

This Supplement may only be used for the purposes for which it has been published.

TABLE OF CONTENTS

Page

THE ADDITIONAL NOTES OFFERING 1
RISK FACTORS 3
Risk Factors Relating to the Additional Notes 3
Risk Factors Relating to Ecuador 6
USE OF PROCEEDS 20
THE REPUBLIC OF ECUADOR 21
Territory, Population and Society 21
Pedernales Earthquake 22
Historical Background 24
Form of Government 25
Memberships in International Organizations and International Relations 37
THE ECUADORIAN ECONOMY 43
Gross Domestic Product 43
Economic and Social Policies 46
Telecommunications 77
Other Sectors of the Economy 78
LEGAL PROCEEDINGS 88
Notifications under Bilateral Investment Treaties 95
BALANCE OF PAYMENTS AND FOREIGN TRADE 98
Balance of Payments 98
Current Account 102
International Reserves 104
Foreign Trade 104
Trade Policy 105
Regional Integration 106
Composition of Trade 107
Foreign Direct Investment 111
MONETARY SYSTEM 113
The Central Bank 113
Financial Sector 114
Banking System 118
Banking Sector 122
Cooperative Banks 123
Capital Markets 124
Interest Rates and Money Supply 125

Inflation 128
PUBLIC SECTOR FINANCES 130
Overview 130
Non-Financial Public Sector Revenues and Expenditures 134
Central Government Revenues and Expenditures 136
Taxation and Customs 138
Central Government Expenditures 140
2018 and 2019 Budgets 141
PUBLIC DEBT 142
General 142
External Debt 143
Internal Debt 149
Decree 1218 151
Review and Audit by the Office of the Comptroller General 153
Organic Law for Productive Development, Investment, Employment and Fiscal Stability 155
IMF's Extended Fund Facility 156
Debt Obligations 159
GSI Loan Facility 162
GSI Repo Transaction 164
CS Repo Transaction 167
Other obligations 169
PLAN OF DISTRIBUTION 174
Notice to Ecuadorian Residents 174
VALIDITY OF THE ADDITIONAL NOTES 175
GENERAL INFORMATION 176
APPENDIX A: Original Offering Circular dated May 30, 2017 and its supplement dated October 11, 2017, with respect to the 2023 Notes 185

The Additional 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 Excluded Indebtedness), as defined in "*Description of the Notes*" in the Offering Circular, provided that such ranking is in terms of priority only and does not require that Ecuador make ratable payments on the Additional Notes with payments made on its other External Indebtedness.

The Additional Notes will be issued in registered form only. Additional 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 Additional Notes sold in the United States, if any, 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 a common depositary for, 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 Offering Circular) 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. Except as described herein, definitive Additional Notes will not be issued in exchange for beneficial interests in the Global Notes in each relevant Offering Circular.

The Republic has taken reasonable care to ensure that the information contained in this Supplement 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 Additional Notes, would make this Supplement as a whole or any information included in this Supplement, misleading in any material respect. The Republic accepts responsibility accordingly.

This Supplement does not constitute an offer by, or an invitation by or on behalf of, the Republic to subscribe to or purchase any of the Additional Notes. Each recipient will be deemed to have made its own investigation and appraisal of the financial condition of the Republic. The distribution of this Supplement or any part of it and the offering, possession, sale and delivery of the Additional Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Supplement comes are required by the Republic to inform themselves about and to observe any such restrictions. See "*Transfer Restrictions*" in the Offering Circular for a description of further restrictions on the offer, sale and delivery of Additional Notes, the distribution of this Supplement, and other offering material relating to the Additional Notes.

Each purchaser of the Additional Notes sold outside the United States in reliance on Regulation S will be deemed to have represented that it is not purchasing the Additional Notes with a view to distribution thereof in the United States. With respect to the offer and sale of the Additional Notes by the Republic, no Additional Notes will be offered and sold in the United States or to U.S. persons.

THE ADDITIONAL NOTES 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 Supplement and in the attached Offering Circular, in particular in the sections entitled the "Offering" and "Description of the Notes" in the attached Offering Circular. Each series of Additional Notes will have identical terms and conditions as its respective series of Original Notes, other than the issue date and issue price as described below.

Issuer: The Republic of Ecuador.

Additional Notes Issue Amount: Additional Notes: U.S.$688,268,000. Upon issuance of the Additional Notes, the aggregate principal amount of the 2023 Notes will be U.S.$1,875,268,000.

Securities Offered: U.S.$688,268,000 principal amount of 8.750% 2023 Notes. Consolidated with and forming a single series, from and including the Issue Date, with the 2023 Notes issued originally on June 2, 2017 and reopened on October 16, 2017, in the aggregate principal amount of U.S.$1,875,268,000.

Issue Format: Rule 144A/Regulation S; however, with respect to the offer and sale of the Additional Notes by the Republic, no Additional Notes will be offered and sold in the United States or to U.S. persons.

Issue Price: For the Additional Notes, 106.597% plus accrued interest from December 2, 2018 to, but excluding, May 29, 2019, which equals U.S.$43.26389 per U.S.$1,000 principal amount of 2023 Notes for a total of U.S.$1,109.23389.

Issue Date: May 29, 2019.

Maturity Date: June 2, 2023.

Interest: 8.750% per annum, computed on the basis of a 360-day year of twelve 30-day months.

Interest Payment Dates: Each June 2 and December 2, commencing on June 2, 2019.

Form: The Additional Notes will be 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. Additional Notes in definitive certificated form will not be issued in exchange for the global notes except under limited circumstances.

Denominations: The Republic will issue the Additional Notes only in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Ranking: The Additional 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 Excluded Indebtedness), provided, that, such ranking is in terms of priority only and does not require that Ecuador make ratable payments on the Additional Notes with payments made on its other External Indebtedness.

Use of Proceeds: The Additional Notes are being issued for the purpose of a substitution with Substituted August 2018 Additional Notes (defined in "*The Republic of Ecuador—Public Debt—GSI Repo Transaction*" below) in accordance with the provisions of the Amended August 2018 GSI-Ecuador Repurchase Agreement (defined in "*The Republic of Ecuador—Public Debt—GSI Repo Transaction*" below), as further described in "*Use of Proceeds*" on page 21 of this Supplement and "*The Republic of Ecuador—Public Debt—GSI Repo Transaction*" on page 167 of this Supplement.

Trustee, Registrar and Transfer Agent: The Bank of New York Mellon.

London Paying Agent and Account Bank: The Bank of New York Mellon, London Branch.

Luxembourg Listing Agent and Luxembourg Paying Agent: The Bank of New York Mellon SA/NV, Luxembourg Branch.

Governing Law: The Additional 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.

Further Issues: The Republic may, from time to time, without the consent of the holders of the Additional Notes, create and issue additional notes having the same terms and conditions as the Additional Notes in all respects (or in all respects except for the amount of the first interest payment and the issue price) provided that:

(a) the notes are consolidated and form a single series with the outstanding Notes, and

(b) such additional notes do not have, for purposes of U.S. federal income taxation, a greater amount of original issue discount than the outstanding Additional Notes have as of the date of the issue of such additional notes (regardless of whether any holders of such Notes are subject to U.S. federal income taxation).

RISK FACTORS

This section describes certain risks associated with investing in the Additional Notes. Investors should consult their financial and legal advisors about the risk of investing in the Additional Notes. Ecuador disclaims any responsibility for advising investors on these matters.

Risk Factors Relating to the Additional Notes

There may be no active trading market for the Additional Notes, or the trading market for the Additional Notes may be volatile and may be adversely affected by many factors.

The Additional Notes did not have any established trading market when issued, and there can be no assurance that an active trading market for the Additional Notes will develop, or, if one does develop, that it will be maintained. If an active trading market for the Additional Notes does not develop or is not maintained, investors may not be able to sell their Additional 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 Additional Notes may be adversely affected. Even if a trading market for the Additional Notes develops, the Additional 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 Additional Notes on the Official List of the Luxembourg Stock Exchange, and to have the Additional 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 Additional Notes.

The price at which the Additional Notes will trade in the secondary market is uncertain.

Application has been made to list the Additional Notes on the Official List of the Luxembourg Stock Exchange and to have the Additional Notes admitted to trading on the Euro MTF Market. No assurance can be given as to the liquidity of the trading market for the Additional Notes. The price at which the Additional Notes will trade in the secondary market is uncertain.

The Additional Notes contain provisions that allow the payment terms to be amended without the consent of all holders.

The Additional 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 Circular, 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.

Recent 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 Additional Notes in the United States and certain other jurisdictions will be limited.

The Additional Notes 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 Additional 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 Additional Notes.

Sovereign credit ratings may not reflect all risks of investment in the Additional 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 Additional Notes. These credit ratings may not reflect the potential impact of risks relating to structure or marketing of the Additional 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.

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 Additional 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. Under United Kingdom law, the United Kingdom parliament must hold a "meaningful vote" on the withdrawal agreement before it reaches the European Union Parliament. On December 11 and 12, 2018, both the President of the European Commission and the European Union Conference of Presidents, respectively, reconfirmed that the current withdrawal agreement is the only deal possible. Despite this, on January 15, 2019, the United Kingdom Parliament rejected the proposed withdrawal agreement. On March 12, 2019, the United Kingdom Parliament held another 'meaningful vote' and once again rejected the proposed withdrawal agreement. In days following the vote, the United Kingdom Parliament voted in favor of requesting the European Union a short deadline extension. On March 21, 2019, the European Union agreed to extend the deadline until May 22, 2019, provided the United Kingdom Parliament approved the withdrawal agreement by April 12, 2019. Not having approved the withdrawal agreement, on April 11, 2019 a new deadline extension until October 31, 2019 was agreed between the European Union and the United

Kingdom. As of the date of this Supplement, the United Kingdom Parliament has not approved the withdrawal agreement. 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 Additional 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 Additional Notes.

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 as *pasivos contingentes* ("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 Additional 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.

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 Ecuadorian Government (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 Additional 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 Additional 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 Additional 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 *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 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 *Ministerio de Economía y Finanzas* (the "Ministry of Economy and Finance"), the *Banco Central del Ecuador* (the "Central Bank") and the *Secretaría Nacional de Planificación y Desarrollo* ("National Secretariat for Planning and Development" or "SENPLADES"). On January 8, 2018, the Comptroller General announced the creation of a citizenship 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 (the "Citizen Oversight Commission"), to observe the procedures and methodology relating to the Republic's incurrence of debt from January 2012 through May 2017. 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 citizenship oversight commission supported the Office of the Comptroller General during the audit process. 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 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 *Asamblea Nacional de la República del Ecuador* (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 *Empresa Pública de Hidrocarburos del Ecuador, EP Petroecuador* ("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 *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.

While there is no indication that the conclusions of the CGR Audit Report have had an impact on the market value of the Additional 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, the Ministry of Economy and Finance has only been releasing public debt to GDP ratio information applying the aggregation methodology. On October 15, 2018, President Moreno enacted decree 537 ("Decree 537") repealing Decree 1218 in its entirety, which became effective on October 30, 2018, see "*Public Debt—Decree 1218*".

On June 21, 2018, the National Assembly passed 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") 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 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such public debt ceiling will not apply. This new law provides that for the period from 2018 to 2021, a fiscal stability plan will be implemented by the Ministry of Economy and Finance. 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 mandates that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, which will 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 *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. It provides that the calculation of the public debt to GDP ratio will 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. It defines total public debt as the sum of the public debt incurred by the entities comprising the public sector. This regulation provides for a transition period ending on May 31, 2019, when the Ministry of Economy and Finance will issue the first report on public debt following the methodology set out in this regulation. Once this transition period is over, public debt figures as presented in the Offering Circular and this Supplement may vary.

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 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, 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; and (ii) five ongoing examinations, including an examination of the contracts with service providers (including lawyers, banks, financial agents and other firms) involved in public debt transactions; an examination regarding the GSI Loan Facility, the Gold Derivative Transaction and the Bond Derivative Transaction, see "*Public Debt—GSI Loan Facility*;" an examination regarding the Republic's use of shares of public banks to pay the Central Bank of Ecuador; an examination on the entry, registration and use of funds from oil pre-sale contracts; and a follow-up examination on the application of the recommendations under the CGR Audit Report.

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 the total public debt, instead of short-term securities with a term of "up to 360 days" as it was set forth in Decree 1218. Pursuant to Decree 537, Decree 1218 was repealed in its entirety on October 30, 2018, when Decree 537 was published, see "*Public Debt—Decree 1218*". 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 their indictment, the court will hold a hearing to call the alleged offenders to trial. The alleged offenders will not be considered criminally liable unless and until the court determines, after a trial, that the offenders are criminally liable.

Any series of notes issued by the Republic (including the Additional 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, 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 with 39.36% of the vote and Guillermo Lasso of the CREO - SUMA party, came in second with 28.09% of the vote. 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. Since no candidate gained an outright victory of 50% of the vote or at least 40% of the vote with an additional ten points of advantage over the candidate in second place for the presidential election, 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. The *Consejo Nacional Electoral* (the "National Electoral Council" or "CNE") declared President Moreno president elect on April 4, 2017. 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. On April 13, 2017, CNE approved the recount of approximately 11.2% of the total ballots cast in the run-off election due to a claim of alleged inconsistencies by CREO-SUMA and Alianza PAIS. On April 18, CNE broadcast a live recount of the ballots subject to the claim. International observers, political delegates of Alianza PAIS and representatives of social organizations monitored the recount. The recount ratified President Moreno as the winner of the run-off election with 51.16% of the votes. President Moreno assumed the presidency 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 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 a presidential 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 *Comisión de Fiscalización* (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.

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.

For more information on presidential term limits, see "*The Republic of Ecuador—Form of Government*." A return to an unstable political environment could significantly affect Ecuador's economy and Ecuador's ability to perform its obligations under the Additional 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 Additional Notes, may adversely affect the liquidity of, and trading markets for, the Additional Notes. See "*Forward-Looking Statements*" for further information on factors that may affect the Additional 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 Additional 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 Additional 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.$50.05 per barrel as estimated by the 2019 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 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 March 31, 2019, 91.9% of Ecuador's petroleum exports by destination were to four countries: the United States (43.3%), Panama (26.6%), Chile (14%) and Peru (8%). 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 barrels per day ("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 January, 2019, Petroamazonas produced 409,397.98 bpd compared to its initial goal of 409,940.47 bpd. In February, 2019, Petroamazonas produced 416,144.54 bpd compared to its initial goal of 413,938.32 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 will be 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. As of the date of this Supplement, Ecuador's current quota is 515,000 bpd.

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 *Empresa Coordinadora de Empresas Públicas* ("Public Companies Coordinator Company"), the General Secretariat of the Presidency, 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 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 Additional 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 14.8% and 15.0% of Ecuador's total exports for 2018, 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 Additional 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 Additional 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 2018, the total assigned budget to reconstruct the infrastructure damaged by the Pedernales Earthquake was approximately U.S.$3,242 million out of which U.S.$1,786 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 Additional 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 Additional 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 Additional 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 offering 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 offering includes that the Initial Purchasers in the offering could be said to have an obligation to pay the offering 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 Additional 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*

Additional 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 Additional Notes. As of the date of this Supplement, 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 Noteholders.

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 Additional 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 has been using 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, the Ministry of Economy and Finance has 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—Decree 1218*".

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, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability*", and provides that for the period from 2018 to 2021 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such public debt ceiling will not apply. This new law provides that for the period from 2018 to 2021, a fiscal stability plan will be implemented by the Ministry of Economy and Finance. 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 mandates that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, which will 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 definitions and methodology for calculating and divulging the country's public debt to GDP ratio. It provides that the calculation of the public debt to GDP ratio will 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. It defines total public debt as the sum of the public debt incurred by the entities comprising the public sector. This regulation provides for a transition period ending on May 31, 2019, when the Ministry of Economy and Finance will issue the first report on public debt following the methodology set out in this regulation. Once this transition period is over, public debt figures as presented in the Offering Circular and this Supplement may vary.

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.

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 Noteholders 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. The Republic presented a Memorandum of Economic and Financial Policies to the IMF outlining the Government's policy plan over the next 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.*" Failure by the Republic to successfully implement said policy plan and meet the performance criteria, targets and benchmarks 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 2023 Notes.

USE OF PROCEEDS

The Additional Notes are being issued to be transferred to GSI (defined in "*The Republic of Ecuador—Public Debt—GSI Repo Transaction*" below) in consideration for: (1) the return to the Republic of the Substituted August 2018 Additional Notes which will be subsequently cancelled by the Republic, and (2) the periodic return to the Republic of interest amounts payable on the Additional Notes.

In accordance with the terms of the Amended August 2018 GSI-Ecuador Repurchase Agreement, there are no cash proceeds for this offering, rather the offering represents the substitution of Additional Notes for the equivalent value of prior securities issued by the Republic. For more information regarding the terms of the Amended August 2018 GSI-Ecuador Repurchase Agreement, see *"The Republic of Ecuador—Public Debt—GSI Repo Transaction.*"

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 2019, the total population of Ecuador is approximately 17.3 million. Approximately 49.4% of the population live in the Pacific coastal plains, 44.8% live in the Andean highlands, 5.4% 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 63.8% of the population is urban. Quito, the country's capital, is the largest city with 2.69 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 2.67 million. Cuenca is the third largest city with 0.61 million inhabitants, and is also located in the Andean highlands. 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

	2014	2015	2016	2017	2018	2019
Total population (*million*)	16.0	16.3	16.5	16.7	17.0	17.3
Female (%)	50.5	50.5	50.5	50.5	50.5	50.5
Male (%)	49.5	49.5	49.5	49.5	45.5	49.5
Urban (%)	63.3	63.4	63.6	63.7	63.8	63.9
Rural (%)	36.7	36.6	36.4	36.3	36.2	36.1
Functional age groups (%)						
Child (0–14)	31.1	30.7	30.3	29.9	29.5	29.1
Adult (15–64)	62.2	62.5	62.8	63.1	63.3	63.6
Elderly (65+)	6.7	6.8	6.9	7.0	7.2	7.4
Demographic Indicators						
Average Annual Growth (%)	1.6	1.6	1.5	1.6	1.5	1.4
Birth Rate (per thousand) [1]	18.1	17.7	16.5	17.2	n/a	n/a
Infant Mortality Rate (per 1,000 live births)	8.5	8.9	9.2	9.7	n/a	n/a
Fertility Rate (per woman)	2.6	2.5	2.5	n/a	n/a	n/a
Average Life Expectancy (*age*)[1]						
Female	78.8	79.1	79.3	79.5	n/a	n/a
Male	73.2	73.4	73.7	73.9	n/a	n/a
Overall	76.0	76.2	76.5	76.7	n/a	n/a

Source: Based on data from INEC. 2018 and 2019 figures based on INEC projections.

(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 2018, the total assigned budget to reconstruct the infrastructure damaged by the Pedernales Earthquake was approximately U.S.$3,242 million out of which U.S.$1,786 million had already 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 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.

On February 21, 2019, the Law of Solidarity was amended by the Organic Law Reforming the Organic Code of Production, Trade and Investment, and the Organic Law of Solidarity. For further information on the amendments to the Law of Solidarity, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law Reforming the Organic Code of Production, Trade and Investment, and the Organic Law of Solidarity*."

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 *Corporación Andina de Fomento* ("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 Supplement, 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 conducted a special audit on the distribution of resources for housing recovery by the Ministry of Urban Development and Housing between April, 2016 and August, 2017. The Office of the Comptroller General issued its report on May 30, 2018, in which it 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 with Jorge Glas as vice president for a four-year term.

On July 3, 2018, the National Court of Justice of Ecuador accepted the petition from the Office of the Prosecutor General to order the preventive detention of former President Rafael Correa and, as he is known to reside in Belgium, process a red notice through Interpol for his arrest. The arrest warrant followed the failure of former President Rafael Correa to appear before the National Court of Justice in Quito despite an order to do so periodically, as an alternative preventive measure upon the Office of the Prosecutor General had placed former President Rafael Correa under investigation in relation to the 2012 attempted kidnapping in Colombia of Fernando Balda, a former member of the National Assembly. On December 6, 2018, Interpol decided against issuing a red notice against former President Correa. On March 2, 2019, a judge of the National Court of Justice petitioned for a review of Interpol's decision not to issue the red notice. On April 25, 2019, Interpol notified the petitioner that it had rejected the petition for review.

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 with 39.36% of the vote and Guillermo Lasso of the CREO - SUMA party, came in second with 28.09% of the vote. 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. Since no candidate gained an outright victory of 50% of the vote or at least 40% of the vote with an additional ten points of advantage over the candidate in second place for the presidential election, 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. The CNE declared President Moreno president elect on April 4, 2017. Both the OAS and the UNASUR monitored the elections and recognized the transparency of the electoral process and the election results. On April 13, 2017, CNE approved the recount of approximately 11.2% of the total ballots cast in the run-off election due to a claim of alleged inconsistencies by CREO-SUMA and Alianza PAIS. On April 18, CNE broadcast a live recount of the ballots subject to the claim. International observers, political delegates of Alianza PAIS and representatives of social organizations monitored the recount. The recount ratified President Moreno as the winner of the run-off election with 51.16% of the votes. President Moreno assumed the presidency 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.

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 named Carlos Alberto de la Torre Muñoz as the Minister of Finance, Pablo José Campana Sáenz as the Minister of Foreign Trade and Verónica Artola Jarrín as General Manager of the Central Bank. 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.

On May 24, 2017, President Moreno merged the *Ministerio de Coordinación y Politica Económica* (the "Ministry of Coordination and Economic Politics") and the *Ministerio de Finanzas* (the "Finance Ministry") which became the Ministry of Economy and Finance. President Moreno abolished the following coordinating ministries by executive decree: the *Secretaría del Buen Vivir* (the "Secretariat for the National Development"), the *Secretaría Nacional de la Administración* (the "National Secretariat of Administration"), the *Ministerio de Coordinación de la Producción, Empleo y Competividad* (the "Ministry for the Coordination of Production, Employment and Competition"), the *Ministerio de Sectores Estratégicos* (the "Ministry of Strategic Sectors"), the *Ministerio de Seguridad* (the "Ministry of Security") and the *Ministerio del Conocimiento y Talento Humano* (the "Ministry of Knowledge and Human Talent"). In the executive decree, President Moreno established that the coordination for the planning, formulation and implementation of the policy, programs and projects of the ministries and entities that form part of the sectorial councils, corresponding to the abolished coordinating ministries, will be assumed by the *Consejero de Gobierno* (the "Government Counselor") or the Minister designated by the President, who will act as president and coordinator of the respective sectorial council and whose responsibilities will be determined by the President. Once the Ministry of Strategic Sectors was abolished, each respective ministry formerly under its oversight assumed those functions of the Ministry of Strategic Sectors within the scope of each ministry. President Moreno created the Ministry of Aquaculture, separating these activities from what was formerly known as the Ministry of Agriculture, Livestock, Aquaculture and Fishing, as well as the *Secretaría Técnica del Programa de Toda una Vida* (the "Technical Secretariat for Affordable Housing, Development and Youth Employment").

In addition, during his inaugural presidential speech and based on his party's platform, President Moreno set forth the following plans for his administration formalized on September 22, 2017, through the National Development Plan approved by the *Consejo Nacional de Planificación* (the "National Council for Planning"):

- guarantee a dignified life with equal opportunities for all persons through attaining certain goals by 2021, including reducing extreme poverty measured by income from 8.7% to 3%, increasing the number of individuals between ages 18 to 29 with a high school diploma from 63% to 65% and reducing the rate of juvenile unemployment for those between ages 18 and 29 from 10.4% to 8.39%;

- affirm interculturality and plurinationality, placing greater value on diverse identities with the goal of increasing the percentage of the indigenous population that speaks their native tongue from 67.8% to 79% by 2021;

- guarantee the rights of current and future generations to access nature including maintaining 16% of the national territory under environmental conservation or environmental care by 2021;

- implement a sustainable social and economic system based on solidarity and strengthen dollarization including increasing the number of microcredit loans and decreasing the non-financial public sector deficit by 2021;

- incentivize productivity and competitiveness for sustainable economic growth in a manner that is based on solidarity and redistribution including the pursuit of certain goals to be realized by 2021, for example increasing exports of agricultural and agribusiness products by 33%, increasing the generation of energy though renewable energy resources from 60% to 90% and increasing savings of combustibles through the optimization of the generation of electric and efficient energy;

- develop productive capacities to accomplish food sovereignty and integral rural development including reducing the incidence of poverty measured by income in rural areas from 38.2% to 31.9% by 2021;

- incentivize a participatory society with a Government close to the citizenry including increasing the index of perception of the quality of public services from 6.6 to 9 by 2021;

- promote transparency and joint responsibility for social ethics including improving the index of perception regarding corruption and transparency in the public and private sectors; and

- guarantee peace and sovereignty and strategically position Ecuador in the region and in the world with the goal to eliminate mine pollution in border geographic areas by 2021.

On July 28, 2017, President Moreno set forth the following plans for immediate execution:

- promote legislation intended to foster and improve the construction sector by revising the Law to Eliminate Speculation on Land Values and Tax Fixing in order to disincentive price speculation in real estate;

- incentivize investment and foreign exchange income through a bill that allows repatriation of capital belonging to those who hold capital abroad;

- encourage the use of electronic money in coordination with the national financial system;

- in line with austerity measures, optimize the use of national resources mainly in the hiring of personnel, consulting, publicity, vehicles and travel; and

- channel public investment towards efforts that are strictly necessary.

On June 22, 2017, through Decree No. 50, President Moreno created the Production and Taxation Advisory Council which is headed by the Ministry of Industry and Productivity 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.

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 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 a presidential 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.

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 "*Casa para Todos*" project (the "Housing for All Project") to generate employment and grant access to housing to the poorest families in the country. The Housing for All Project 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 Project is expected to generate more than 136,000 jobs. Following his announcement, on September 1, 2017, President Moreno enacted 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 Executive 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.

For further information on laws that were passed as a result of the national referendum and popular consultation, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law Repealing the Organic Law to Eliminate Speculation on Land Values and Tax Fixing*", "*The Ecuadorian Economy—Economic and Social Policies—Organic Law Reforming the Organic Law of the Council for Citizen Participation and Social Control*", and "*The Ecuadorian Economy—Economic and Social Policies—The 2008 Constitution.*"

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 Andean Development Corporation and the Inter-American Development Bank, 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.

On April 19, 2018, by executive decree, President Moreno merged the *Ministerio de Educación* (the "Ministry of Education"), the *Ministerio de Deporte* (the "Ministry of Sport") and the *Instituto de Idiomas, Ciencias y Saberes Ancestrales* (the "Institute of Languages, Sciences and Ancestral Knowledge") which became the *Ministerio de Educación y Deportes* (the "Ministry of Education and Sports"). A 90-day period was established for the implementation of this merger. On June 14, 2018, by executive decree, President Moreno rendered the merging of the Ministry of Education and Sports without effect. Instead, the Ministry of Education merged with the Institute of Languages, Sciences and Ancestral Knowledge to become the Ministry of Education, and converted the Ministry of Sports into the *Secretaría del Deporte* (the "Secretariat of Sports").

On May 15, 2018, by executive decree, President Moreno merged the *Ministerio de Hidrocarburos* (the "Ministry of Hydrocarbons"), the *Ministerio de Electricidad y Energía Renovable* (the "Ministry of Electricity and Renewable Energy"), the *Ministerio de Minería* (the "Ministry of Mining") and the *Secretaría de Hidrocarburos* (the "Secretariat of Hydrocarbons") to become the *Ministerio de Energía y Recursos Naturales No Renovables* (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 Executive Decree No. 471 extending the term for the implementation of the merger until September 14, 2018. The merger was implemented in September 2018. On September 20, 2018, by executive decree No. 517, President Moreno confirmed Carlos Pérez in his post as Minister of Energy and Non-Renewable Natural Resources.

On August 21, 2018, President Moreno announced a new round of austerity measures, which include a further reduction in the number of Ministries, to 20 from 40 when he became president. Entities that will be merged include the *Ministerio de Industrias y Productividad* (the "Ministry of Industries and Productivity") (to be merged with the *Ministerio de Comercio Exterior e Inversiones* (the "Ministry of Foreign Trade and Investments")), the *Ministerio de Justicia* ("Ministry of Justice"), the *Secretaría de Gestión de Riesgos* ("Secretariat for Risk-Management") (to be merged with the *Ministerio de Defensa* ("Ministry of Defense")), the *Secretaría del Agua* ("Secretariat for Water") (to be merged with the *Ministerio del Ambiente* ("Ministry of the Environment")), and the *Servicio Nacional de Aduanas* ("National Customs Service") (to be merged with the *Servicio de Rentas Internas* ("Internal Revenue Service")). Additionally, the *Instituto Espacial Ecuatoriano* ("Ecuadorian Space Institute"), the *Secretaría Técnica del Comité Nacional de Límites Internos* ("Secretariat for Internal Boundaries") and the *Secretaría Nacional de Comunicación* ("National Secretariat of Communication") will disappear. These measures are being implemented through several executive decrees.

On March 28, 2019, President Moreno issued decree 709 ("Decree 709") unwinding the merger of the Secretariat for Water into the Ministry of the Environment, and assigning the *Instituto de Meteorología e Hidrología* (the "Meteorology and Hydrology Institute") to the Secretariat for Water. On April 11, 2019, President Moreno issued decree 714 ("Decree 714") ordering the elimination of the Ecuadorian Space Institute within 90 days from the date of the decree and the transfer of its rights, obligations, assets, liabilities and budgetary assignments to the *Instituto Geográfico Militar* (the "Military Geographic Institute").

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.

On September 20, 2018, by executive decree No. 520, President Moreno merged the Ministry of Foreign Trade and Investments, the Ministry of Industries and Productivity and the *Instituto de Promoción de Exportaciones e Inversiones Extranjeras* (the "Institute for the Promotion of Foreign Exports and Investments") to become the *Ministerio de Producción, Comercio Exterior e Inversiones* (the "Ministry of Production, Foreign Trade and Investment"). Additionally, the *Ministerio de Acuacultura y Pesca* (the "Ministry of Aquaculture and Fisheries") would be downsized to a secretariat within the Ministry of Production, Foreign Trade and Investment. A 60-day period was established for the implementation of the merger and downsizing. However, on November 14, 2018, by executive decree No. 559 derogating executive decree No. 520, President Moreno re-issued the order to merge the abovementioned ministries into the new Ministry of Production, Foreign Trade and Investment, this time rendering ineffective the downsizing of the Ministry of Aquaculture and Fisheries by instead merging it into the new ministry and establishing a new 60-day period to complete the merger. This merger became effective in January 2019, resulting in the *Ministerio de Producción, Comercio Exterior, Inversiones y Pesca* ("Ministry of Production, Foreign Trade, Investments and Fisheries."). On January 11, 2019, by executive decree No. 636, President Moreno created three vice ministries under the new Ministry of Production, Foreign Trade, Investments and Fisheries, one for each of the three eliminated agencies, and designated Pablo Campana as the new Minister of Production, Foreign Trade, Investment and Fisheries to oversee them.

President Moreno merged, by executive decrees dated September 21, 2018 and October 3, 2018, the Ministry of the Environment and the Secretariat for Water, and downsized the Secretariat for Risk-Management and the *Secretaría de Inteligencia* ("Secretariat of Intelligence") to the *Servicio Nacional de Gestión de Riesgos* ("National Service for Risk Management") and the *Centro de Inteligencia Estratégica* ("Center of Strategic

Intelligence"), respectively. On October 11, 2018, by executive decree, President Moreno eliminated the National Secretariat of Communication, delegating all its competencies to the *Secretaría de Comunicación de la Presidencia* ("Secretariat of Communication of the Presidency").

Also on November 14, 2018, President Moreno decreed the transformation of the *Ministerio de Justicia, Derechos Humanos y Cultos* ("Ministry of Justice, Human Rights and Religions") into the *Secretaría de Derechos Humanos* ("Secretariat for Human Rights"), the creation of the *Servicio Nacional de Atención Integral a Personas Adultas Privadas de la Libertad y a Adolescentes Infractores* ("National Service for Integral Assistance to Adults Deprived of their Liberty and Young Offenders"), and the transfer of some of the Secretariat of Human Rights' competencies to the National Service for Integral Assistance to Adults Deprived of their Liberty and Young Offenders. As decreed by President Moreno in the executive decree No. 631 dated January 4, 2019, the transformation became effective on January 14, 2019. The transfer of competencies to the National Service for Integral Assistance to Adults Deprived of their Liberty and Young Offenders was completed by February 14, 2019.

On May 13, 2019, President Moreno issued decree 732 eliminating SENPLADES and replacing it with the newly-formed *Secretaría Técnica de Planificación "Planifica Ecuador"* ("Technical Secretariat for Planning"), which secretariat is now responsible for across-the-board national planning.

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 No. 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 December 21, 2018, President Moreno issued decree No. 624 reducing by 10% and 5% the salaries of high and mid-level government officials, respectively.

As part of the government's efforts to restructure and optimize the country's public sector under the Prosperity Plan, 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. *Corporación Nacional de Telecomunicaciones* ("National Telecommunications Corporation" or "CNT") and Petroecuador presented their plans to lay off 795 and 444 employees, respectively. On April 29, 2019, the CNT announced it had laid off approximately 700 of its 7,714 employees which it expects will result in U.S.$15 million in annual savings.

On March 13, 2019, the *Ministerio de Trabajo* ("Ministry of Employment") revealed that between December 2018 and February 2019, the government had 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 employment contracts.

The following table shows the composition of the National Assembly as of the date of this Supplement:

Political Party	Number of Members
Alianza PAIS	43
Fuerza EC	1
Independientes	6
Izquierda Democrática	1
Movimiento CREO	31
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 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 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) 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 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such public debt ceiling will not apply. This new law provides that for the period from 2018 to 2021, a fiscal stability plan will be implemented by the Ministry of Economy and Finance. 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 mandates that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, which will 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 enacted Decree 537 repealing Decree 1218 in its entirety, which became effective on October 30, 2018, see "*Public Debt—Decree 1218*".

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. It provides that the calculation of the public debt to GDP ratio will 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. It defines total public debt as the sum of the public debt incurred by the entities comprising the public sector. This regulation provides for a transition period ending on May 31, 2019, when the Ministry of Economy and Finance will issue the first report on public debt following the methodology set out in this regulation. Once this transition period is over, public debt figures as presented in the Offering Circular and this Supplement may vary.

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; and (ii) five ongoing examinations, including an examination of the contracts with service providers (including lawyers, banks, financial agents and other firms) involved in public debt transactions; an examination regarding the GSI Loan Facility, the Gold Derivative Transaction and the Bond Derivative Transaction, see "*Public Debt—GSI Loan Facility*;" an examination regarding the Republic's use of shares of public banks to pay the Central Bank of Ecuador; an examination on the entry, registration and use of funds from oil pre-sale contracts; and a follow-up examination on the application of the recommendations under the CGR Audit Report.

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 the total public debt, instead of short-term securities with a term of "up to 360 days" as it was set forth in Decree 1218. Pursuant to Decree 537, Decree 1218 was repealed in its entirety on October 30, 2018, when Decree 537 was published, see "*Public Debt—Decree 1218*". 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 their indictment, the court will hold a hearing to call the alleged offenders to trial. The alleged offenders will not be considered criminally liable unless and until the court determines, after a trial, that the offenders are criminally liable.

Any series of notes issued by the Republic (including the Additional 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 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.

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 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.

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 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 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: "[t]he 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 "[t]he 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, 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 next three years from six other multilateral agencies and development banks. As noted in the IMF's press release dated February 21, 2019, "[t]he 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 next 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 Inter-American Development Bank; 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 French Development Agency. 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 General Manager of the Central Bank of Ecuador presented the IMF with a letter of intent ("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, "[t]he 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. The other staff-level agreements with multilateral agencies and development banks are subject to the approval of each organization's executive board. On May 24, 2019, the Republic entered into a U.S.$300 million loan agreement with the CAF and a U.S.$500 million loan agreement with the IDB. In the following months, the Republic expects to enter into a U.S.$850 million loan agreement with the World Bank, a U.S.$ 300 million loan agreement with IDB and a U.S.$ 150 million loan agreement with the French Development Agency**.**

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.

Separately, the World Bank has provided project level financing 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. See "*The Ecuadorian Economy—Strategic Sectors—Transportation*," and "*Monetary System—the Central Bank*."

On March 12, 2019, the Minister of Economy and Finance of Ecuador presented in Paris before the Organization for Economic Co-operation and Development (the "OECD") the Republic's application to become member of that international organization. As part of the agreed roadmap to become a member, the Republic will become signatory to several OECD instruments on various subjects such as anti-bribery and foreign investment, will participate in OECD's regional program for Latin America and the Caribbean and will produce a country-level so-called Multidimensional Assessment with emphasis on productivity. On May 21, 2019, Ecuador officially became a member of the OECD.

Treaties and Other Bilateral Relationships

Since 1965, Ecuador has negotiated 30 bilateral investment treaties out of which 27 entered into force. 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 entrance into force of its 1998 Constitution, Ecuador formally 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 EU 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 relationships 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 4, 2018, Ecuador 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. As of the date of this Supplement, Ecuador's Ambassador to Venezuela remains in Ecuador and a Third Secretary in Ecuador's diplomatic rank is the highest ranking diplomat representing Venezuela.

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 Interior, in 2018, 954,217 Venezuelan citizens entered Ecuador, and 799,838 exited Ecuador. On August 4, 2018, the Ministry of Foreign Relations and Human Mobility, in coordination with the Ministries of 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 "Brexit." 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.

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 with Colombia and Peru along with the EU, 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.

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. It was reported that negotiations with Ecuador, among others, would start after the current round of negotiations with Canada, Singapore, Australia and New Zealand.

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.

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 increased from -0.78% for the 12-month period ended April 30, 2018 to 0.19% for the 12-month period ended April 30, 2019. This increase was primarily due to a general increase in prices, with the prices of alcoholic beverages, tobacco, education and transportation increasing the most, as well as an increase in the price of high-octane gasoline ("super") following the partial elimination of a government subsidy.

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 is 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 is 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.

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 is 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.$108,398 million representing an increase from U.S.$104,296 million in 2017.

Real and Nominal GDP

(in millions of U.S. dollars, except percentages)

	For the Year Ended December 31,				
	2014	2015	2016	2017	2018
Real GDP (in millions of U.S.$)	70,105	70,175	69,314	70,956	71,933
Real GDP growth	3.8%	0.1%	-1.2%	2.4%	1.4%
Nominal GDP	101,726	99,290	99,938	104,296	108,398

Source: Based on figures from the Central Bank Quarterly National Accounts for the Fourth Quarter of 2018.

Nominal GDP by Economic Sector [1]

(in millions of U.S. dollars, except for percentages)

	For the Year Ended December 31,									
	2014	% of GDP	2015	% of GDP	2016	% of GDP	2017	% of GDP	2018	% of GDP
Manufacturing[2]	13,717	13.48	13,513	13.61	13,592	13.60	13,866	13.29	14,223	13.12
Construction	10,891	10.71	11,125	11.20	11,976	11.98	12,087	11.59	12,239	11.29
Petroleum and mining	11,267	11.08	4,691	4.72	3,800	3.80	5,024	4.82	6,049	5.58
Trade (commerce)	10,545	10.37	10,218	10.29	9,632	9.64	9,960	9.55	10,452	9.64
Agriculture	8,122	7.98	8,406	8.47	8,441	8.45	8,533	8.18	8,791	8.11
Community services	7,833	7.70	8,489	8.55	8,777	8.78	9,280	8.90	9,888	9.12
Government services[3]	6,682	6.57	6,660	6.71	6,885	6.89	7,062	6.77	7,164	6.61
Administrative activity[4]	7,016	6.90	6,887	6.94	6,574	6.58	7,072	6.78	8,122	7.49
Transportation	4,338	4.26	4,773	4.81	5,414	5.42	5,387	5.17	5,364	4.95
Finance and insurance	3,166	3.11	3,165	3.19	3,073	3.07	3,536	3.39	3,762	3.47
Telecommunications	2,127	2.09	1,984	2.00	1,916	1.92	1,932	1.85	1,982	1.83
Electricity and water	1,253	1.23	1,509	1.52	1,685	1.69	1,826	1.75	1,772	1.63
Shrimp	563	0.55	445	0.45	501	0.50	660	0.63	725	0.67
Others [5]	14,208	13.97	17,427	17.55	17,670	17.68	18,070	17.33	17,865	16.48
Total GDP	**101,726**	**100**	**99,290**	**100**	**99,938**	**100**	**104,296**	**100**	**108,398**	**100**

Source: Based on information from the Central Bank for the fourth quarter of 2018.

[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,				
	2014	2015	2016	2017	2018
Real GDP Growth	3.8	0.1	-1.2	2.4	1.4
Import of goods & services [(1)]	4.8	-8.2	-9.6	12.2	5.8
Total Supply of Goods & Services	**4.0**	**-1.9**	**-3.1**	**4.4**	**2.4**
Public Sector Consumption	6.7	2.1	-0.2	3.2	2.9
Private Consumption	2.7	-0.1	-2.4	3.7	2.7
Gross Fixed Capital Formation	2.3	-6.2	-8.9	5.3	2.1
Exports of goods and services[(1)]	6.2	-0.6	1.4	0.7	0.9
Total Final Demand	**4.0**	**-1.9**	**-3.1**	**4.4**	**2.4**

Source: Based on figures from the Central Bank Quarterly National Accounts for the Fourth Quarter of 2018.

(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	6,368
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 April 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,				
	2014	2015	2016	2017	2018
Consumption					
Public Sector Consumption	10,252.3	10,471.8	10,453.9	10,790.0	11,104.4
Private Consumption	43,088.8	43,049.2	42,011.6	43,577.6	44,733.7
Total Consumption	53,341.2	53,521.0	52,465.5	54,367.6	55,838.1
Gross Investment					
Gross Fixed Capital Formation	18,626.3	17,465.3	15,917.1	16,762.3	17,110.8
Change in Inventory	471.2	-123.1	-568.2	388.0	559.2
Exports of goods and services[(1)]	19,342.0	19,218.8	19,491.9	19,631.7	19,798.8
Imports of goods and services [(1)]	21,675.4	19,907.4	17,992.2	20,193.8	21,374.0
Real GDP	70,105.4	70,174.7	69,314.1	70,955.7	71,932.8

Source: Based on figures from the Central Bank Quarterly National Accounts for the Fourth Quarter of 2018.

(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 Supplement.

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.

The 2017 Election was held on April 2, 2017, with former President Correa not eligible to run due to the transitory disposition of the 2015 constitutional amendment which delayed the effectiveness of the elimination of term limits to after the date of the 2017 Election. President Moreno was elected with 51.16% of the vote. The CNE declared President Moreno as president elect on April 4, 2017. Both the OAS and UNASUR monitored the elections and recognized the transparency of the electoral process and the election results. On April 13, 2017, CNE approved the recount of approximately 11.2% of the total ballots cast in the run-off election due to a claim of alleged inconsistencies by CREO-SUMA and Alianza PAIS. On April 18, 2017 CNE broadcast a live recount of the ballots subject to the claim. International observers, political delegates of Alianza PAIS and representatives of social organizations monitored the recount. The recount ratified President Moreno as the winner of the run-off election with 51.16% of the votes. President Moreno assumed the post of President of Ecuador on May 24, 2017 with Jorge Glas as vice president for a four-year term. The National Assembly then elected María Alejandra Vicuña Muñoz as the vice president of Ecuador until 2021. María Alejandra Vicuña Muñoz resigned her post on December 4, 2018, following the start of a criminal investigation against her into alleged corrupt acts. Economist Otto Ramón Sonnenholzner Sper was appointed as the new vice president by the National Assembly on December 11, 2018.

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.*"

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 Environment Ministry; (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 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such public debt ceiling will not apply. This new law provides that for the period from 2018 to 2021, a fiscal stability plan will be implemented by the Ministry of Economy and Finance. 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 mandates that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, which will 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 enacted Decree 537 repealing Decree 1218 in its entirety, which became effective on October 30, 2018, see "*Public Debt—Decree 1218.*" 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—Decree 1218*".

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. It provides that the calculation of the public debt to GDP ratio will 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. It defines total public debt as the sum of the public debt incurred by the entities comprising the public sector. This regulation provides for a transition period ending on May 31, 2019, when the Ministry of Economy and Finance will issue the first report on public debt following the methodology set out in this regulation. Once this transition period is over, public debt figures as presented in the Offering Circular and this Supplement may vary.

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.

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.

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 the total public debt, instead of short-term securities with a term of "up to 360 days" as it was set forth in Decree 1218. Pursuant to Decree 537, Decree 1218 was repealed in its entirety on October 30, 2018, when

Decree 537 was published, see "*Public Debt—Decree 1218*". 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 their indictment, the court will hold a hearing to call the alleged offenders to trial. The alleged offenders will not be considered criminally liable unless and until the court determines, after a trial, that the offenders are criminally liable.

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 aiming 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 amd Finance will send the President in May 2019 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 plan is for this reform proposal to be presented to the National Assembly no later than June 2019.

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*."

Production Code

Enacted in December 2010, the Production Code was created to stimulate investment and increase the production of goods and services. The objective of this law was to create fair guidelines that would balance workers' rights with economic incentives for investors. To achieve that objective, the Production Code:

- provides guidelines for the *Consejo Nacional de Salarios* ("National Council on Wages") to consider in setting the minimum wage;
- provides guidelines for foreign investments and outlines the rights of foreign investors; and
- creates tax incentives for investors, including a 3% reduction on capital gains tax and the elimination of up-front taxes on any new investment.

On February 21, 2019, the Production Code was amended by the *Ley Orgánica Reformatoria al Código Orgánico de la Producción, Comercio e Inversiones, para el Establecimiento de Polos de Desarrollo; y, a la Ley Orgánica de Solidaridad y Corresponsabilidad Ciudadana para la Reconstrucción y Reactivación de las Zonas Afectadas por el Terremoto del 16 de Abril de 2016* ("Organic Law Reforming the Production Code for the Establishment of Development Zones, and the Organic Law of Solidarity"). For further information on the amendments to the Production Code, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law Reforming the Production Code for the Establishment of Development Zones, and the Organic Law of Solidarity*."

Law for Market Power Control and Regulation

Enacted in October 2011, the *Ley Orgánica de Regulación y Control del Poder de Mercado* ("Law for Market Power Control and Regulation") was created to avoid, reform and penalize the abuse of market power. The objectives of the law were to prevent, prohibit and penalize collusive deals and other restrictive practices; control and regulate economic concentration operations; and prevent, prohibit and penalize disloyal practices, thereby seeking market efficiency as well as individual and collective well-being.

Environmental Improvement and State Resources Optimization Law

In November 2011, the Republic published and made effective the *Ley de Fomento Ambiental y Optimización de los Recursos del Estado* ("Environmental Improvement and State Resources Optimization Law") to strengthen the environmental regulatory framework of the country. The law establishes, among others:

- an increase of the *Impuesto a la Salida de Divisas* ("Currency Outflow Tax"), from 2% to 5% (for more information regarding the Currency Outflow Tax see "*Balance of Payments and Foreign Trade—Foreign Trade—Trade Policy*");
- a tax increase on cigarettes and alcoholic beverages;
- the creation of a two-cent tax on plastic bottles; and
- the creation of a vehicle pollution tax.

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.

Comprehensive Law of Redistribution of Income for Social Expenditures

Enacted in December 2012 and became effective in January 2013, the *Ley Orgánica de Redistribución de los Ingresos para el Gasto Social* ("Comprehensive Law of Redistribution of Income for Social Expenditures") was created to direct economic resources towards the financing of certain key social expenditures that generate economic activity. For more information on this law, which includes tax reforms, see "*Public Sector Finances—Taxation and Customs.*"

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 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 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 transfering 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.

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. This resolution is expected to reduce the liquidity of these financial institutions' Central Bank deposits by approximately U.S.$809 million.

Telecommunications Law

Enacted by the National Assembly in February 2015, the *Ley Orgánica de Telecomunicaciones* ("Telecommunications Law") was created to improve access to quality telecommunications services and to increase the use of information technology in rural sectors. The objective of the law was to foster competition among telecommunication providers in order to increase the quality of telecommunication services in the country. The law applies to all companies that provide or facilitate the transmission of voice, video, data or any other type of signal via physical or wireless means. Under the Telecommunications Law, companies whose market share exceeds certain thresholds must pay a corresponding tax to the Government, which tax increases depending on the percentage of market share held. For example, companies that hold a market share higher than 75% must pay the

Government a tax equal to 9% of their total revenues for the year. In addition, the law provides that telecommunications companies must provide their services in Shuar and Quechua as well as in Spanish.

Labor, Justice and Home Maker Recognition Law

Enacted in April 2015, the *Ley Orgánica para la Justicia Laboral y Reconocimiento del Trabajo en el Hogar* (the "Labor Justice and Home Maker Recognition Law") amends certain laws related to Ecuador's social security system. Under the Labor Justice and Home Maker Recognition Law, homemakers previously ineligible to receive social security benefits can now enroll and receive benefits as a result of disability or old age. In addition, the law eliminates mandatory contributions to the social security system by the Government. Instead, the law establishes a Government guarantee to finance the social security system only when the contributions from employers and employees are insufficient to meet the resources required in a particular year.

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.

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 of Solidarity

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 in an effort to reallocate public funds other than those for health and education, toward reconstruction effort resulting from the Pedernales Earthquake. The Law of Solidarity includes the following measures:

- increasing the value added tax by 2% (from 12% to 14%) for one year from June 1, 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, this 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.

On February 21, 2019, the Law of Solidarity was amended by the Organic Law Reforming the Production Code for the Establishment of Development Zones and the Organic Law of Solidarity. For further information on the amendments to the Law of Solidarity, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law Reforming the Production Code, for the Establishment of Development Zones and the Organic Law of Solidarity*."

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.

Law on Tax Incentives

On October 12, 2016, the *Ley Orgánica de Incentivos Tributarios para Varios Sectores Productivos e Interpretativa del Artículo 547 del Código Orgánico de Organización Territorial, Autonomía y Descentralización* (the "Law on Tax Incentives") was published and became effective. The Law on Tax Incentives is intended to encourage productivity by extending tax incentives to additional sectors of the economy. The law establishes income tax deductions for micro, small and medium sized businesses that provide private health insurance to their employees and income tax deductions for public and commercial transport operators equal to the value of the vehicles owned by such operators.

Law to Regulate Companies that Finance Pre-paid Health Services and Health Insurance Companies

On October 17, 2016, the *Ley Orgánica que Regula a las Compañías que Financian Servicios de Atención Integral de Salud Prepagada y a las de Seguros que Oferten Cobertura de Seguros de Asistencia Médica* (the "Law to Regulate Companies that Finance Pre-paid Health Services and Health Insurance Companies") was published and became effective. The law is intended to regulate health service companies and health insurance companies and to provide clear legal requisites for the establishment and operation of those entities.

Law to Strengthen the Social Security System of the Armed Forces and National Police

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.

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 Noteholders*" 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 Supplement. Since the Office of the Comptroller General issued its CGR Audit Report, the Ministry of Economy and Finance has only been releasing public debt to GDP ratio information applying the aggregation methodology.

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 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such public debt ceiling will not apply. This new law provides that for the period from 2018 to 2021, a fiscal stability plan will be implemented by the Ministry of Economy and Finance. 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 mandates that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, which will 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 enacted Decree 537 repealing Decree 1218 in its entirety, which became effective on October 30, 2018, see "*Public Debt—Decree 1218.*"On October 15, 2018, President Moreno enacted 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. It provides that the calculation of the public debt to GDP ratio will 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. It defines total public debt as the sum of the public debt incurred by the entities comprising the public sector. This regulation provides for a transition period ending on May 31, 2019, when the Ministry of Economy and Finance will issue the first report on public debt following the methodology set out in this regulation. Once this transition period is over, public debt figures as presented in the Offering Circular and this Supplement may vary.

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.

Law to Eliminate Speculation on Land Values and Tax Fixing

On December 13, 2016, the *Ley Orgánica para Evitar la Especulación sobre el Valor de las Tierras y Fijación de Tributos* (the "Law to Eliminate Speculation on Land Values and Tax Fixing") was published and became effective. This law is intended to create a more equal distribution of wealth and resources in Ecuador. This law imposes a tax of 75% on capital gains obtained from the sale of real estate in excess of an amount equal to 24 basic unified wages, or U.S.$9,000 as of the time the minimum wage for the year 2017 went into effect. The Law to Eliminate Speculation on Land Values and Tax Fixing also imposes more stringent property record keeping obligations on the Autonomous Centralized Governments. This law was repealed on March 22, 2018. For more information, see "*The Ecuadorian Economy—Economic and Social Policies—Organic Law Repealing the Organic Law to Eliminate Speculation on Land Values and Tax Fixing.*"

Law to Reform the Organic Law of Public Service and Labor Code

On December 20, 2016, *the Ley Orgánica Reformatoria a la Ley Orgánica de Servicio Público y al Código de Trabajo* ("Law to Reform the Organic Law of Public Service and Labor Code") was published and became effective. Under this law, a public servant who ceases to work for a public institution receives full remuneration up until the last day worked on the last month of work without receiving payment for the remaining days not worked on that month. The aim is not to overcompensate those employees partially working during a month as opposed to those who work the full month.

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 the National System of Road Infrastructure for Ground Transportation

On May 5, 2017, the *Ley Orgánica del Sistema Nacional de Infraestructura Vial del Transporte Terrestre* (the "Organic Law for the National System of Road Infrastructure for Ground Transportation") was published and became effective. The law establishes a regime for the design, planning, execution, construction, maintenance, regulation and control of infrastructure for ground transportation and complementary services. The law classifies roads by type to facilitate the approval of projects for the construction of road infrastructure, requires these projects to include studies of environmental and social impact as well as of security of the road, and allocates responsibility to the central Government and the Autonomous Decentralized Governments to maintain the infrastructure of ground transportation.

Organic Law for the Citizenship Security and Public Order Entities

On June 21, 2017, the *Código Orgánico de las Entidades de Seguridad Ciudadana y Orden Público* (the "Organic Law for the Citizenship Security and Public Order Entities") was published. This law governs the organization, institutional activities, professional development and administration of citizenship security and public order entities.

Organic Administrative Code

On July 31, 2017, the *Código Orgánico Administrativo* (the "Organic Administrative Code") was published and became effective on July 31, 2018. This law will unify the procedures, defenses, penalties and statutes of limitations applicable in connection with administrative proceedings other than tax proceedings. Additionally, this code will repeal the *Ley de Modernización del Estado, Privatizaciones y Prestación de Servicios Públicos por parte de la Iniciativa Privada.*

Organic Law for the Application of the Referendum

On September 8, 2017, the *Ley Orgánica para la Aplicación de la Consulta Popular Efectuada el 19 de febrero de 2017* (the "Organic Law for the Application of the Referendum") was published and became effective. The law establishes that those who hold posts by popular election and those who are candidates for those posts, as well as public servants and those who apply to be public servants, cannot own goods or capital in territories considered tax havens. Any elected officials or public servants who own goods or capital in tax havens must comply with this law, left their positions by March 6, 2018 or face removal.

Organic Law to Reform the Organic Law of Public Service

On September 13, 2017, the *Ley Orgánica Reformatoria a la Ley Orgánica del Servicio Público* (the "2017 Organic Law to Reform the Organic Law of Public Service") was published and became effective. This law establishes a mechanism to regulate the temporary contracting of public servants in public entities in order to prevent public servants in temporary positions from becoming permanent public servants, in practice, without being subject to merit-based competitions.

Organic Law to Reform the Organic Law of Public Service and the Labor Code to Prevent Labor Harassment

On November 9, 2017, the *Ley Orgánica Reformatoria a la Ley Orgánica del Servicio Público y al Código del Trabajo para Prevenir el Acoso Laboral* (the "Organic Law to Reform the Organic Law of Public Service and the Labor Code to Prevent Labor Harassment") was published and became effective. The law intends to prevent harassment in the workplace. The law establishes a definition of harassment in the workplace, a procedure to deal with workplace harassment claims, and the potential effects of behavior constituting harassment in the workplace.

Organic Law for the Reactivation of the Economy

On November 29, 2017, the National Assembly approved 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. The law alters applicable deductions and tax rates with the intention of increasing revenues through progressive taxes that do not affect the poorest in society.

Integral Organic Law to Prevent and Eradicate Violence Against Women

On February 5, 2018, the *Ley Orgánica Integral para Prevenir y Erradicar la Violencia Contra las Mujeres* (the "Integral Organic Law to Prevent and Eradicate Violence Against Women") was published and became effective. This law strengthens the protections provided to women by the Government against domestic violence. Measures include appointing several government entities to oversee a registry of abusers of women.

Organic Law Repealing the Organic Law to Eliminate Speculation on Land Values and Tax Fixing

On March 22, 2018, the *Ley Orgánica Derogatoria de la Ley Orgánica para Evitar la Especulación Sobre el Valor de las Tierras y Fijación de Tributos, de Conformidad con la Consulta Popular del 4 de Febrero de 2018* ("Organic Law Repealing the Organic Law to Eliminate Speculation on Land Values and Tax Fixing") was published and became effective. This law was enacted as a result of the referendum and popular consultation held on February 4, 2018, where over 63% voted in favor of repealing the Organic Law to Eliminate Speculation on Land Values and Tax Fixing.

Organic Law Reforming the Organic Law of the Council for Citizen Participation and Social Control

On March 23, 2018, the *Ley Orgánica Reformatoria a la Ley Orgánica del Consejo de Participación Ciudadana y Control Social para Aplicación de la Pregunta 3 del Referéndum Celebrado el 04 De Febrero de 2018* ("Organic Law Reforming the Organic Law of the Council for Citizen Participation and Social Control") was published and became effective. This law was enacted due to a 63.08% vote in favor to question 3 of the consultation and popular consultation held on February 4, 2018. This law changes the requirements and mechanism for election of members to the National Council for Citizen Participation and Social Control. The Council is charged with sponsoring the participation and social control of the general public, fighting corruption, and designing processes to ensure authorities comply with the Constitution.

Organic Law of Border Development

On May 17, 2018, the *Ley Orgánica de Desarrollo Fronterizo* (the "Organic Law of Border Development") was published and became effective. This law aims to develop the areas around Ecuador's borders by creating mechanisms by which the central government and the autonomous decentralized governments can provide help. It prescribes tax incentives as well as preferential lines of credit to help develop these areas.

Organic Law for the Integral Planning of the Special Amazon Territorial Circumscription

On May 21, 2018, the *Ley Orgánica para la Planificación Integral de la Circunscripción Territorial Especial Amazónica* (the "Organic Law for the Integral Planning of the Special Amazon Territorial Circumscription") was published and became effective. The purpose of this law is to regulate the Integral Planning of the Special Amazon Territorial Circumscription and its territorial order, observing social, economic, cultural and environmental aspects. The law establishes several committees to oversee the projects. It also establishes two funds for the financing of the Special Amazon Territorial Circumscription: one from the sale of petroleum from the region and the other from the sale of minerals, hydroelectric power, hydrocarbons, and profits from state-owned enterprises in the region.

Law Reforming the Civil Aviation Law

On June 11, 2018, the *Ley Reformatoria a la Ley de Aviación Civil* (the "Law Reforming the Civil Aviation Law") was published and became effective. The law provides for investigations of any accidents involving airplanes by a specialized committee. The law also prescribes a timeframe for the committee to detail and finalize its reports.

Law Reforming the Social Security Law

On June 18, 2018, the *Ley Reformatoria a la Ley de Seguridad Social* (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.

Law Reforming the Organic Law on Higher Education

On August 2, 2018, the *Ley Orgánica Reformatoria a la Ley Orgánica de Educación Superior* (the "Law Reforming the Organic Law on Higher Education") was published and became effective. The law provides that the academic trajectory, socioeconomic status, location and other factors will be taken into account in addition to the *Ser Bachiller* exam in order to evaluate the admission of a student to a public university. The law also provides for the creation of two public universities in the Amazon region and another in Santo Domingo de los Tsáchilas. Furthermore, the law aims to provide more autonomy to universities and to guarantee greater student and academics participation in the decision making process, and includes sanctions for bullying, discrimination and gender violence.

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*."

Organic Law for the Optimization and Efficiency of Bureaucratic Procedures

On October 23, 2018, the *Ley Orgánica para la Optimización y Eficiencia de Trámites Administrativos* (the "Organic Law for the Optimization and Efficiency of Bureaucratic Procedures") was published and became effective. The law aims to simplify and cheapen bureaucratic procedures across the board to further expand people's access to the public administration. To achieve this, the law limits the ability of regulated entities to create bureaucratic procedures and requirements without first proving that they are not an unnecessary burden to users; requires that new bureaucratic requirements and procedures be published and accessible to the population with appropriate instructions; creates a presumption for the user that their affidavits and filings required for a bureaucratic procedure are true until proven false; prohibits regulated entities within the public administration from requiring original documents or more documentation or forms of ID than necessary for a bureaucratic procedure when the relevant information is available in the public registry to that effect; mandates the creation of an online platform to make payments for bureaucratic procedures; and, among others, orders the creation of a system to cancel tax debt owed by government contractors against any credit that they might have against the Republic for the goods or services provided.

Law Creating the Del Río University-UDR

On December 6, 2018, the *Ley de Creación de la Universidad del Rio-UDR* ("Law Creating the Del Río University-UDR") was published and became effective. The law creates a public university, Universidad Del Río ("UDR"), with legal personhood and academic, administrative and financial autonomy. UDR will have its main campus in Guayaquil.

Organic Law for the Institutionalization of the Live Arts Festival in Loja as a Place for the Gathering and Promotion of Ecuador's Cultural Expressions and Identity

On January 14, 2019, the *Ley Orgánica para la Institucionalización del Festival Internacional de Artes Vivas de Loja como Espacio de Encuentro y Fomento de las Expresiones Culturales e Identidad del Ecuador* ("Organic Law for the Institutionalization of the Live Arts Festival in Loja as a Place for the Gathering and Promotion of Ecuador's Cultural Expressions and Identity") was published and became effective. This law provides that the "*Festival Internacional de Artes Vivas de Loja*" and the National Program "*Camino a Loja*" shall be held annually in the city of Loja.

Organic Law Interpreting the Ninth General Section of the Organic Law on Intercultural Education

On January 16, 2019, the *Ley Orgánica Interpretativa de la Disposición General Novena de la Ley Orgánica de Educación Intercultural* ("Organic Law Interpreting the Ninth General Section of the Organic Law on Intercultural Education") was published and became effective. This law reinterprets the *Ley Orgánica de Educación Intercultural* ("Organic Law for Intercultural Education") to allow retirees in the public education sector who retired between 2008 and 2011 to benefit from a stimulus package that did not previously apply to them.

Organic Law Reforming the Organic Law of Communication

On February 20, 2019, the *Ley Orgánica Reformatoria a la Ley Orgánica de Comunicación* ("*Organic Law Reforming the Organic Law of Communication*") was published and became effective. This law, in part: (1) changes the percentage of the population required to be reached by a media outlet for that media outlet to be categorized as a "national" media outlet; (2) raises the limit on foreign ownership of national media outlets to 49%; (3) limits censorship by governmental authorities; (4) abolishes joint and several liability of media outlets for libel in certain cases; (5) removes the requirement to balance media coverage for adverse parties in judicial cases; (6) eliminates the *Superintendencia de la Información y Comunicación* ("Superintendency of Information and Communication"); (7) introduces the concept of autoregulation for media outlets; and (8) redefines the requirements for "nationally produced" advertisements for purposes of allocating airtime in accordance with legally established quotas.

Organic Law Reforming the Production Code for the Establishment of Development Zones, and the Organic Law of Solidarity

On February 21, 2019, the Organic Law Reforming the Production Code for the Establishment of Development Zones, and the Organic Law of Solidarity was published and became effective. This law reforms the Production Code to create a mechanism for the establishment of *Polos de Desarrollo* ("Development Zones") throughout the country, with special attention to border towns. Development Zones are defined in the law as areas with potential for productive development, attracting investment, generating local and foreign re-investment in goods, services, facilities and infrastructure. The law allows local governments to provide tax and non-tax incentives to investors in Development Zones in addition to any tax incentives available under other laws.

In an effort to promote the reconstruction of the territories affected by the Pedernales Earthquake, this law also reforms the 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. Similarly, the law provides for private and public ventures in those territories to promote, and give preference to local employment. The law, among other measures, mandates public banks to give preference in opening lines of credit to entrepreneurs and others involved in productive activities in those territories. The law also provides for special tax incentives for residents of the provinces of Manabí and Esmeraldas, and the preferential provisioning of funds for the development of the tourism sector and for environmental preservation in the region.

Organic Law of Energy Efficiency

On March 19, 2019, the *Ley Orgánica de Eficiencia Energética* ("Organic Law of Energy Efficiency") was published and became effective. This law establishes the *Sistema Nacional de Eficiencia Energética* (the "National System for Energy Efficiency" or "SNEE") as the network of governmental agencies, policies and programs tasked, among others, with carrying out the 10-year *Plan Nacional de Eficiencia Energética* ("National Plan of Energy Efficiency" or "PLANEE") under the *Ley Orgánica del Servicio Público de Energía Eléctrica* (the "Organic Law of the Electric Power Public Service"), and promotes efficiency in the private and public use of the country's energy production with the purpose of enhancing productivity and competition and mitigating, and increasing awareness of, the effects of climate change. The law also creates the *Comité Nacional de Eficiencia Energética* ("National Committee for Energy Efficiency" or "NCEE") as the inter-agency committee in charge of coordinating the SNEE and issuing directives for the country's energy regulators on energy saving and efficiency.

The Organic Law of Energy Efficiency also mandates that policies and regulations for the regulated sectors of construction and transportation promote the Republic's policies regarding energy efficiency. This law also requires the establishment of a statistical database of energy source, the promulgation, within 90 days, of a general regulation by the executive branch setting forth the necessary incentives to carry out the law's mandates and the creation by local governments of incentives to promote the use of electric vehicles.

Organic Law on Prevention and Punishment of Violence in Sports

On April 30, 2019, the *Ley Orgánica de Prevención y Sanción de la Violencia en el Deporte* ("Organic Law on Prevention and Punishment of Violence in Sports") was published and became effective. This law creates a special legal framework and mandate for the prevention and punishment of all forms of violence, racism, xenophobia and other forms of intolerance in sports, by mandating the creation of public safety plans in sporting events tailored to the different risk factors inherent to such events; requiring licensing to hold sporting events open to the public; assigning new responsibilities to the press and to the different national and local governmental agencies and establishing a set of legal principles and policies to achieve the goals of the law; creating a set of rights and responsibilities of attendees to public sporting events; mandating special access and spaces for people with disabilities and the elderly; and regulating the types of objects permitted inside public sporting events.

Organic Law on the Ombudsman Office

On May 6, 2019, the *Ley Orgánica de la Defensoría del Pueblo* ("Organic Law on the Ombudsman Office") was published and became effective. This law creates the Ombudsman office as an independent and decentralized public office in charge of protecting and promoting human rights and the rights of the environment and outlines its structural organization, principles, powers and responsibilities.

Organic Law on the Elderly

On May 9, 2019, the *Ley Orgánica de las Personas Adultas Mayores* ("Organic Law on the Elderly") was published and became effective. The goal of this law is to promote, regulate and guarantee the rights of the elderly. It creates a set of principles, rights and incentives for the benefit of Ecuadorian residents who are 65 years of age or older. It creates the *Sistema Nacional Especializado de Protección Integral de los Derechos de las Personas Adultas Mayores* (the "National System for the Protection of the Rights of the Elderly") as the network of agencies, public and private services, rules and regulations, policies, plans, programs and activities in place to guarantee the protection of the elderly, tasked with designing, formulating, executing, evaluating and following up on the rules, regulations, policies, services and programs for the benefit of the elderly.

Organic Law Reforming the Organic Law of Public Service

On May 9, 2019, the *Ley Orgánica Reformatoria a la Ley Orgánica de Servicio Público* ("2019 Organic Law to Reform the Organic Law of Public Service") was published and became effective. This law reforms the Organic Law of Public Service by adding the right of civil servants to request medical leave at their place of employment.

Anti-Corruption Measures in Ecuador

Since President Moreno was elected, the Government of Ecuador has been putting in place several initiatives to fight against 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 Supplement 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 of the Presidency of the Republic") 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 penalize 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 will be 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.

Strategic Sectors of the Economy

The Ministry for Environment (to be merged with the Secretariat for Water), 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 Environment Ministry 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 Environment Ministry 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 Executive Decree No. 471 extending the term for the implementation of the merger until September 14, 2018. The merger was implemented in September 2018. On September 20, 2018, by executive decree No. 517, President Moreno confirmed Carlos Pérez in his post as Minister of Energy and Non-Renewable Natural Resources.

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 three months of 2019, crude oil exports totaled U.S.$1,832 million, a 0.8% increase from U.S.$1,817 million in the first three months of 2018. This increase was primarily due to a 9.8% increase in export volume, despite an 8.2% decrease in the unit price per barrel from U.S.$58.4 to U.S.$53.7.

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, a 8.5% increase from U.S.$25,473 million in 2017. This increase was primarily due to an increase in revenues from tax collections.

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.*"

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 315 ("Decree 315") and decree 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,					January1 – March 31,	
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019**
Petroleum [(1)]	557	543	548	531	517	512	529
Public Companies [(2)]	157,976	154,308	158,118	152,092	146,351	35,564	37,262
Other operators	45,166	43,922	42,593	41,837	42,438	10,542	10,347
Total	**203,142**	**198,230**	**200,711**	**193,929**	**188,789**	**46,105**	**47,609**
Natural Gas Production [(3)]	**20,410**	**17,550**	**18,633**	**16,337**	**12,461**	**3,512**	**2,861**

Source: Petroleum data is based on figures from the Central Bank April 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 April 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 April 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% of production 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 April 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 April 2019, oil field crude production, including that of private and state-owned companies, reached 47.6 million barrels for the three-month period ended March 31, 2019, representing a 3.3% increase from the 46.1 million barrels produced in the same period of 2018 (and an increase of 3.3% in barrels per day). In 2018, state-owned companies were responsible for 77.5% of production, compared to 78.4% of production 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 two-month period ended February 28, 2019, state-owned companies were responsible for 78.1% of production, compared to 76.9% of production in the same period of 2018. This increase was principally due to capital expenditures and production enhancements in oil fields pursuant to a drilling campaign and to a slight decline in production in the private sector. In the three-month period ended March 31, 2019, state-owned companies were responsible for 78.3% of production, compared to 77.1% 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. The Pardaliservices S.A. consortium, which comprises of 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, which will 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.$400 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 Supplement, 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 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 have announced their opposition to the removal of the moratorium and the Presidential decree authorizing the development of the ITT fields; however, the National Assembly has approved the use of the ITT fields and, as of May 2014, the Environment Ministry has 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 77,346 bpd in August 2018, reached 71,015 bpd in February 2019, and it is expected to surpass the level of 160,000 bpd by 2022. As of February 28, 2019, the following platforms were in operation: Tiputini A with 20 drilled wells and an average production of 10,787.10 bpd; Tiputini B with 3 drilled wells and no production; Tiputini C with 35 drilled wells (29 production wells) and an average production of 12,440.10 bpd; Tiputini D with 13 drilled wells and an average production of 9,364.88 bpd; Tiputini E with 11 drilled wells and an average production of 3,748.80 bpd; Tambococha A with 17 drilled wells and an average production of 15,178.68 bpd; and Tambococha D with 21 drilled wells and an average production of 19,496.17 bpd. As of February 28, 2019, 40 domestic companies provide services and 80 domestic companies provide supplies in the development of the ITT project.

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 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" inititative 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.

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 three months of 2019, crude oil exports totaled U.S.$1,832 million, a 0.8% increase from U.S.$1,817 million in the first three months of 2018. This increase was primarily due to a 9.8% increase in export volume, despite an 8.2% decrease in the unit price per barrel from U.S.$58.4 to U.S.$53.7.

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 three months of 2019, they were the United States, Panama and Chile with 43.3%, 26.6% and 14%, 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 OTI, pursuant to which Petroecuador received an initial prepayment of U.S.$300 million for fuel oil to be delivered to Oman Trading International Ltd ("OTI") during the 30-month term of the contract. As of May 2019, approximately 570,000 barrels of fuel oil with a permitted variation of 10% remain to be delivered under the contract until its termination in June 2019. 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 and 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 three months of 2019, the SOTE transported 31.0 million barrels, averaging 344.7 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, and it is estimated that the oil may have reached the Amazon river and other territories or waters in Peru and Brazil. The Republic is in the process of analyzing the incident and is working closely with the governments of Peru and Brazil to contain any environmental damage that the accident may have caused. The Republic is not aware of any pending or threatened lawsuit or claim arising from this incident.

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 18^{o} to 24^{o} 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 three months of 2019, the OCP pipeline transported 16.1 million barrels, averaging 179.0 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 two months of 2019, the three main refineries produced 13.3 million barrels of oil derivatives including gasoline, diesel, fuel oil, jet fuel and liquefied petroleum, which represented a decrease of 1.0% compared to the 13.4 million barrels of oil derivatives produced in the same period of 2018. This decrease was due to a lower level of crude oil loading as a result of certain maintenance projects.

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 two months of 2019, the domestic consumption of oil derivatives was 14.8 million barrels, which represents a 3.4% increase compared to the 14.3 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 1, 2019, two units of the refinery were shut down for maintenance anticipated to last for 115 days. In the meantime, the refinery will continue processing up to 55,000 bpd.

As of March 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 called 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.

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.

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 Presidential decree 338 ("Decree 338"), which was issued in August 2005, and as subsequently modified. Any future change to the profit margin would require a new Presidential 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 Presidential decree No. 490 which provides that from August 27, 2018, the final price to consumers of high-octane gasoline ("super") is fixed at U.S.$2.98.

On December 21, 2018, President Moreno issued decree No. 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.

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 February 28, 2019, Petroecuador maintains a network of 46 service stations of its own and 204 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 February 28, 2019, Ecuador had approximately 152,517 million cubic feet of proven natural gas reserves and 312,864 million cubic feet of proven and probable natural gas reserves.

As of January 29, 2019, CELEC consumed an average of approximately 26 million cubic feet of natural gas per day in the plant Termogas Machala and the Ecuadorian industry consumed an average of approximately 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 two months of 2019, Petroamazonas produced approximately 30.66 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.

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. Two of these five mining projects, the Fruta del Norte Project and the Mirador Project, are expected to start production in 2019, with an expected U.S.$860 million investment in these two projects over 2019 and 2020.

Project Mirador is the largest copper project in Ecuador. As of Feburary 2019, construction of the copper mine in the Zamora Chinchipe province was reported to be 75% complete. The project is expected to finalize construction and to begin production in 2019. Project Mirador 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.$1,047 million and Ecuacorriente S.A. is planning an investment of approximately U.S.$2,015 million (exploration, economic evaluation, CAPEX, OPEX, and mine closure). The expected life cycle of the mine is 27-30 years from the start of production. The Government estimates that the project will produce 30,000 tons of copper per day during the first three years, increasing afterwards to 60,000 tons of copper per day. 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, it is expected to begin operations in December 2019.

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 is expected to start 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 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 6 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 Supplement, the aggregate executed investment for these projects has been U.S.$229 million.

From March of 2016 to December 31, 2017, 275 concessions were granted through a mining concession request process, with a commitment of a 4-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 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.

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 the 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 Supplement, 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.

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.

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. For more information on the Telecommunications Law, see "*The Ecuadorian Economy—Economic and Social Policies—Telecommunications Law.*"

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 exported 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 three months of 2019, banana exports totaled U.S.$877 million, a 0.5% increase from U.S.$873 million in the first three months of 2018 primarily due to an increase in imported volume from 1,824 thousand metric tons to 1,826 thousand metric tons, and a 0.3% increase in the unit price per metric ton from U.S.$478.4 to U.S.$480.1.

Ecuador also exports significant amounts of cacao. With continued normal growing conditions, cacao exports reached U.S.$576 million in 2014 and increased to U.S.$693 million in 2015. 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 three months of 2019, cacao exports totaled U.S.$135 million, a 22.5% increase from U.S.$110 million in the first three months 2018 primarily due to a 13.3% increase in imported volume from 52.7 thousand metric tons to 59.7 thousand metric tons, and an 8.1% increase in the unit price per metric ton, from U.S.$2,087.5 to U.S.$2,257.0.

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. Flower exports were U.S.$918 million in 2014. In 2015, flower exports decreased by 12% to U.S.$820 million primarily as a result of the strengthening of the dollar which made Ecuador's flowers more expensive compared to Colombian flowers. 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 three months of 2019, flower exports totaled U.S.$267 million, a 0.7% increase from the U.S.$265 million in the first three months of 2018 primarily due to a 3.5% increase in the unit price per metric ton, from U.S.$5,974.2 to U.S.$6,181.5 despite a 2.7% decrease in export volume from 44.4 to 43.2 thousand metric tons.

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 2015, shrimp exports totaled U.S.$2,280 million, a 9.3% decrease from U.S.$2,513 million in 2014. This decrease was due to the effects of the El Niño phenomenon in 2015, as well as a decrease in exports to Asia. 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 three months of 2019, shrimp exports totaled U.S.$811 million, a 6.6% increase from U.S.$761 million in the first three months of 2018 primarily due to a 24.8% increase in export volume, from 112 thousand metric tons to 140 thousand metric tons, despite a 14.6% decrease in the unit price per metric ton, from U.S.$6,790.8 to U.S.$5,800.1.

Fishing exports, other than shrimp, decreased from U.S.$296 million in 2014 to U.S.$244 million in 2016. 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 three months of 2019, fishing exports, other than shrimp, totaled U.S.$93.9 million, a 0.1% decrease from U.S.$94.0 million in the first three months of 2018 primarily due to a 5.7% decrease in export volume from 24 thousand metric tons to 23 thousand metric tons despite a 5.9% increase in the unit price per metric ton, from U.S.$3,927.7 to U.S.$4,159.7.

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. The manufacturing sector grew an average of 10.27% per year between 2011 and 2015. In 2014, manufacturing grew by 14.6%. In 2015, manufacturing decreased by 1.5%, reaching U.S.$13,513 million. 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. For more information, see "*Balance of Payments and Foreign Trade—Foreign Trade—Trade Policy*." In the first three months of 2019, 18.6% of Ecuador's non-petroleum exports, or U.S.$740.7 million, were sold in the European Union, compared to 20.4%, or U.S.$817.6 million, for the same period in 2018.

Construction

In 2017, the construction sector accounted for 11.59% of GDP, compared to 11.98% of GDP in 2016, 11.20% of GDP in 2015 and 10.71% of GDP in 2014. In 2014, construction activity grew by 4.7%, compared to 7.4% in 2013. 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

Ecuador's tourism industry slightly decreased from 2014 to 2015 and again in 2016. In 2014, 1.56 million tourists visted the country, 1.54 million in 2015, 1.41 million 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 steady increase in tourism from 2013 to 2014 was largely due to promotional campaigns instituted by the Ministry of Tourism. In 2010, the "Ecuador loves life" campaign was launched in England, Germany, France and the United States. A second campaign, the "I discovered" campaign, was launched in 2011, and a third campaign, the "All you need is Ecuador" campaign, was launched in 2014. As part of this campaign, Ecuador became the first government to advertise during the Super Bowl, airing a thirty second spot during the 2015 event. The Ministry also provides financing and logistics advice to local businesses that cater to tourists such as tours and adventure companies. The decrease in tourism from 2015 to 2016 was attributed to the Pedernales Earthquake. 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 allocates U.S.$18.0 million for tourism.

Transportation

In 2015, the Government invested a total of U.S.$1,119 million in roads and highways, a decrease of 20% from the previous year, when total investment was U.S.$1,400 million. 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 Supplement, approximately 85% 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 definitive tests will be held in June 2019, and that it 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.$340 for 2014 to U.S.$394 for 2019. 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 2014 to 2019.

Monthly Minimum Wage [(1)]

(in U.S.$)

2014	2015	2016	2017	2018	2019
340	354	366	375	386	394

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,				
	2014	**2015**	**2016**	**2017**	**2018**
Total Population[(1)]	16,027	16,279	16,529	16,777	17,224
Labor Force [(2)]	11,159	11,399	11,696	11,938	12,239
Labor Force Participation [(3)]	7,195	7,499	7,874	8,086	8,027
Labor Force Participation Rate	64.47%	65.78%	67.32%	67.73%	65.59%
Employed Labor Force	6,921	7,141	7,464	7,712	7,731
Unemployed Labor Force	273	358	410	374	296
Unemployment Rate [(4)]	3.80%	4.77%	5.20%	4.62%	3.69%

Source: Based on figures from INEC as of March 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%. In 2014, unemployment decreased to 3.80% from 4.15% in 2013 due to increased job creation in the services and commerce industries. In 2015, the unemployment rate increased to 4.77% due to a general slowdown of the economy in 2015 that led to job losses in both the private and public sectors. 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 46.69% in 2014 to 48.09% in 2015, and increased again in 2016 to 53.39%. In 2017 the underemployment rate decreased to 52.95% from 53.39% in 2016, but increased again in 2018 to 54.56%.

The sectors that registered the greatest reduction in employment in the period from 2011 to 2015 were the agriculture sector with 2.89%, and the commerce sector with 1.52%. 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.

The following table sets forth information regarding the unemployment and underemployment rates, and real minimum wages for the periods presented:

Wage and Unemployment

	For the Year ended December 31,				
	2014	2015	2016	2017	2018
Unemployment rate (% of economically active population)[1]	3.80	4.77	5.20	4.62	3.69
Underemployment rate (% of economically active population)[2]	46.69	48.09	53.39	52.95	55.25

Source: Based on figures from INEC as of March 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 proverty 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 Republic believes that the decrease in poverty in some of the recent years has been partially the result of a significant expansion of the Human Development Bond, 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.

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.

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

Source: Based on figures from INEC as of December 2018.

(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.S47.78/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 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 December 2018, IESS, ISSFA and ISSPOL had 0.4 million, 0.2 million and 0.195 million 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 month of 2019, total non-financial public sector contributions to social security were U.S.$486 million, an increase from U.S.$441 million in the first month 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 March 31, 2019, BIESS was still the largest holder of Government securities, with 40.6% of its portfolio investment, or U.S.$7,821 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 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 allocates U.S.$5,345.7 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.$3,013.5 million. 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. The tribunal accepted the position of Ecuador that any amount received by Chevron should be subject to the payment of a tax at a rate of 87.31% (the preliminary arbitral award was approximately U.S.$700 million) and deducted the tax amount due to Ecuador from the preliminary arbitral award of U.S.$700 million. Consequently, Ecuador filed a petition to annul the arbitral award before the District Court of The Hague, which was denied on May 2, 2012. Ecuador presented an appeal to the District Court decision, and on May 13, 2013, the Appellate Court of The Hague heard the arguments of the parties on appeal and rejected Ecuador's appeal on June 19, 2013. In September 18, 2013, Ecuador presented an appeal to the Supreme Court of the Netherlands, which held hearings on February 28, 2014 and denied Ecuador's appeal on September 26, 2014.

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 March 25, 2013, Ecuador filed its brief in opposition with the court, and on April 25, 2013, Chevron filed its response. On June 6, 2013 the District Court confirmed the award in favor of Chevron. Ecuador filed an appeal on July 1, 2013, to which Chevron filed an opposition brief on August 19, 2013.

On September 6, 2013, because Ecuador did not have substantial assets in the District of Columbia, Chevron filed a motion to enable it to register the district court award "in any other district" in the United States. Ecuador objected, arguing that Chevron should be permitted to register the award only in "those districts for which Chevron has provided sufficient evidence that Ecuador has substantial assets." On October 29, 2013, the District Court of the District of Columbia granted Chevron's motion to register the award in any other district. On June 11, 2014, Ecuador appealed the District Court decision. Chevron filed a response to this appeal on July 18, 2014 and Ecuador filed a reply on August 8, 2014. On August 4, 2015, the United States Court of Appeals for the District of Columbia Circuit affirmed the District Court decision. On February 25, 2016, Ecuador filed a petition for a writ of certiorari requesting that the United States Supreme Court review the decision of the Court of Appeals. On June 6, 2016, the United States Supreme Court denied the Republic's writ of certiorari.

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. On January 25, 2012, the arbitral tribunal issued an interim award that ordered Ecuador to take all available measures to suspend the enforcement or recognition of the claims in the Lago Agrio case in Ecuador and abroad. On February 16, 2012, the tribunal issued a second interim award ordering Chevron to compensate Ecuador for the costs Ecuador incurs in performance of its obligations under the interim awards, and ordered Chevron to post a bond in the amount of U.S.$50 million to secure payment of the same. The plaintiffs for the Lago Agrio case, in November 2012, obtained the seizure of certain bank accounts of Chevron in Argentina and the seizure of Chevron's interests in its Argentine subsidiaries. On June 5, 2013, this seizure was revoked. In a third interim award dated February 27, 2012, the arbitral tribunal held that it had jurisdiction to hear the claim. In a fourth interim award dated February 7, 2013, the arbitral tribunal resolved that Ecuador has not complied with the decisions from the previous awards, and that each party will argue whether Ecuador must reimburse Chevron for any expenses related to the enforcement proceedings.

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."

According to the arbitral tribunal, the 1995 Settlement bars claims that Ecuador might raise in the exercise of their own rights, but does not bar claims by third parties acting independently from the state in the exercise of their individual rights. It also held that the 1995 Settlement did not contain an indemnity provision that required the Republic to be held liable for any costs or any judgment rendered against Chevron. However, the arbitral tribunal held that Chevron was a "released party" under the 1995 Settlement. The arbitration tribunal did not decide on the claims of breach of the 1995 Settlement. In response, on January 7, 2014, Ecuador filed a writ of summons in the District Court of the Hague requesting an order setting aside the September 17, 2013 partial award and of the previous interim awards. The District Court of the Hague held a hearing regarding Ecuador's writ of summons on November 2015 and rejected Ecuador's request in a decision issued on January 20, 2016. On April 20, 2016, Ecuador presented its petition for appeal. It presented its memorial on August 16, 2016. On October 11, 2016, Chevron submitted its response. A hearing regarding Ecuador's request to set aside the partial award and the previous interim awards was held on May 9, 2017. On July 18, 2017, the courts of the Hague denied Ecuador's request to set aside the September 17, 2013 partial award and the previous interim awards. Ecuador submitted a cassation appeal on October 17, 2017.

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 May 9, 2014, Chevron submitted a supplemental brief regarding the Track 2 issue of the alleged violations of the Ecuador-U.S. Bilateral Investment Treaty, explaining the relevance of certain prehearing exhibits.

On November 7, 2014, Ecuador filed a written response to Chevron's supplemental brief on Track 2, to which Chevron replied on January 14, 2015. Ecuador in turn filed a supplemental rejoinder brief on March 17, 2015. A telephone conference regarding procedural matters took place on March 27, 2015. Hearings on the Track 2 issues relating to the supplemental briefs took place in Washington, D.C. from April 21 to May 8, 2015. The result of the Track 2 hearing is pending. The parties submitted briefs on the final report of a forensic computer expert on August 12, 2016 and August 26, 2016 and presented their positions on the relevance of the August 8, 2016 decision of the Southern District of New York Court of Appeals on the RICO action: *Chevron v. Donziger et. al.* on August 16, 2016 and August 18, 2016. On August 29, 2016, the arbitral tribunal issued an order concluding that the legal issues presented before it and those presented in the August 8 decision of the Southern District of New York Court of Appeals are materially different. Accordingly, due to lack of sufficient privity under international law, the arbitral tribunal held that there can be no issue estoppel or *res judicata* applicable before it arising from the outcome of the U.S. legal proceedings. The tribunal has indicated that it will issue a decision with respect to Track 2 after the submission of such briefs. 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 tribunal established that, not later than 90 days following the date of the award, any party may apply to the tribunal for permission to add any further issue or request for relief to be addressed by the parties in Track 3. All issues as to reparation in the form of compensation for any injuries sustained by Chevron and all issues relating to the allocation and assessment of costs and expenses were assigned by the tribunal for further submissions by the parties to Track 3. The arbitral tribunal has not yet determined any financial compensation owed by Ecuador to Chevron.

On September 28, 2018, Ecuador filed a request for interpretation and clarification of the Track 2 award, pursuant to Article 35 of the UNCITRAL Arbitration Rules. This request was filed before the Arbitral Tribunal. Chevron filed its opposition to Ecuador's request on October 13, 2018. Ecuador filed a reply to Chevron's opposition on November 1, 2018. The Arbitral Tribunal issued a decision on November 6, 2018 denying Ecuador's request for interpretation and clarification of the award. On November 28, 2018, Ecuador and Chevron filed their respective submissions on costs in connection with the arbitration. 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. No reparation or compensation amounts have been discussed yet. These issues are assigned for Track 3 of the arbitration.

On April 26, 2019, the arbitrual 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 must 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 July 18, 2014, the tribunal decided the claim in favor of Perenco and considered the schedule for the assessment of damages. The hearing for the assessment of damages took place from November 9, 2015 to November 13, 2015 in Paris. On April 21, 2016, the parties presented their final arguments. The decision on the assessment of damages is pending.

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 March 13, 2013, the parties presented their respective memoranda to the arbitral tribunal. Hearings took place from September 9 to September 17, 2013. 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 but has not released any findings yet. On April 18, 2017, Perenco filed an application for dismissal of Ecuador's counterclaims on res judicata grounds arising out of the decision of the arbitral tribunal in the ICSID arbitration brought by Burlington Resources, Inc. against Ecuador. On August 18, 2017, the arbitral tribunal denied that application, thereby allowing Ecuador's counterclaims to proceed. On September 2017, the independent environmental expert returned to Ecuador to gather soil and groundwater samples in order to assess the amount of damages to be paid by the French petroleum company. On December 18, 2017, the environmental expert finished collecting soil samples at sites and initiated the process of sample analysis. On January 31, 2018, Perenco requested to the tribunal the dismissal of Ecuador's counterclaims based on the settlement agreement signed between Ecuador and Burlington on December 1, 2017. The tribunal ordered the parties to provide their replies. Perenco presented its reply on April 5, 2018 and Ecuador presented its reply on April 26, 2018. On July 30, 2018, the tribunal denied Perenco's claim for the dismissal of Ecuador's counterclaims. Following such decision, the environmental expert notified the parties that his report will be delivered to the parties in October 2018. The tribunal informed the parties that the expert's report was delayed and was expected before year-end. The Republic received the expert's report on December 19, 2018.

On February 22, 2019, the parties simultaneously presented their respective writings commenting on the expert's report. On March 11 and March 12, 2019 in the Hague, the Netherlands, a hearing was held in which the expert of the tribunal was cross-examined and the final alegations with regard to the counterclaims were argued. On April 19, 2019 and May 3, 2019, the parties simultaneously presented their cost submissions and their respective replies. The decision of the arbitral tribunal is pending.

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 August 28, 2013, Ecuador filed for appeal in the District Court of Appeal of Florida, Third Circuit. On July 2, 2014, the District Court of Appeal ruled in favor of Ecuador, reversing the trial court's decision and finding the defendants liable for the losses of Filanbanco S.A. The defendants petitioned the Third Circuit for a hearing to review the July 2, 2014 decision, which the Third Circuit rejected. On August 6, 2014, the defendants submitted their brief in support of their petition, which was denied by the Third Circuit court on September 16, 2014.

Upon remand, the Eleventh Judicial Circuit Court of Florida, in an October 15, 2015 decision, held that the ten-year statute of limitations on the action had expired. On November 12, 2015, Ecuador notified the District Court of Appeals for the Third District of Florida that it would appeal this decision. On November 16, 2015, the defendants filed a motion for costs and fees. On January 11, 2016, the District Court of Appeals for the Third District of Florida issued an order deferring the decision regarding costs and fees until after a decision on the appeal. Ecuador presented its motion to appeal on March 11, 2016. The defendants presented their response to Ecuador's appeal on October 8, 2016. Ecuador filed its brief in response on January 6, 2017. The District Court of Appeals for the Third District of Florida held the hearing on April 3, 2017. 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.

Zamora Gold

On July 7, 2011, Ecuador was notified of an arbitration proceeding against it for allegedly depriving Zamora Gold of its investments in violation of the Canada-Ecuador Bilateral Investment Treaty. Since then, the plaintiff has not taken further action. The amount of the claim has not yet been determined.

RSM Production Corporation

On May 13, 2010, Ecuador was notified of an UNCITRAL arbitration proceeding against it for allegedly cancelling a mining license held by RSM Production Corporation in violation of the U.S.-Ecuador Bilateral

Investment Treaty. Since then, there has not been further action by the plaintiff. The amount of the claim has not yet been determined.

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 Ecuadorean 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 February 5, 2016, Merck filed a petition requesting that the arbitration tribunal set forth certain measures to protect Merck from an unjust final judgment in Ecuador. On May 7, 2016, the arbitration tribunal accepted Merck's petition and ordered Ecuador to guarantee that no final judgment will be enforceable in Ecuador until the arbitration tribunal issues its final decision on the matter.

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. Resolution of the challenge by the Ecuadorian Constitutional Court is pending.

The arbitral tribunal held a hearing on October 12, 2016. On November 16, 2016, the parties presented their post-hearing briefs. On December 2, 2016, the parties presented comments to their post-hearing briefs in the arbitration. 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. The parties filed their briefs on damages on June 21, 2018. The arbitral tribunal opened a discovery phase until January 21, 2019, which has since been finalized. On March 25, 2019, the parties presented their reply memorials. On April 24, 2019, a hearing on damages took place in the city of London.

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. APM has initiated proceedings in various jurisdictions for the execution of the award. APM initiated proceedings for the execution of the award in the British Virgin Islands. Hutchison presented its objections to the execution of the award in the British Virgin Islands. On October 30, 2017, a hearing on the execution and recognition of the award was held in which APM requested an abbreviated proceeding for the recognition of the award. However, the tribunal determined that a longer hearing in the British Virgin Islands will be held in order to allow the parties to present their arguments regarding the recognition of the award before a decision is made. That hearing remains to be scheduled.

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.

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") ("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 Supplement, 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. Sinohydro Corporation has demanded the formation of a new JCD, which shall be formed in May 2019.

Ecuador TLC, Cayman International, and Teikoku Oil

On February 26, 2014, Ecuador TLC, Cayman International, and Teikoku Oil filed a breach of contract arbitration claim against Ecuador in the Permanent Court of Arbitration in the Hague for an amount of U.S.$808.3 million plus interest. The claim is in connection with an oil-field exploration contract that was terminated by Ecuador because the plaintiffs did not agree to the new renegotiated terms. See "*The Ecuadorian Economy—Economic and Social Policies—Renegotiation of Oil Field Contracts*." Ecuador presented its response brief on March 21, 2016 and Ecuador TLC presented its response on June 20, 2016. From January 24, 2017 to January 28, 2017, the arbitral tribunal held a hearing regarding Ecuador TLC's breach of contract claim in Washington D.C. The parties presented their submissions on March 3 and on May 5. The parties presented their submission on costs on May 29. On January 16, 2018, the arbitral tribunal ordered Ecuador to pay the plaintiffs a total amount of U.S.$515,067,578, post-award interest and an additional amount of U.S.$35,000 for arbitral costs and expenses. On March 19, 2018, the parties reached an agreement that reduced the amount Ecuador owed to the plaintiffs to U.S.$507,746,745 out of which Ecuador retained approximately U.S.$189,000,000 in order for the plaintiffs to fulfill their pending labor and tax obligations. Ecuador paid the remaining U.S.$318,712,249 in three separate installments. Ecuador considers that it has fulfilled its obligations under the agreement reached on March 19, 2018, and it does not expect any further actions on this matter.

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") 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.

Oleoducto de Crudos Pesados

On March 16, 2018, Oleoductos de Crudos Pesados S.A. (Ecuador) and Oleoducto de Crudos Pesados Ltd. (jointly, "OCP") filed an arbitral claim against Ecuador under the UNCITRAL Rules. The claim is in connection with an alleged reinterpretation of an Ecuadorian law by the Ecuadorian Internal Revenue Service affecting the rights of OCP under an authorization contract for the construction and operation of a pipeline. The amount of the claim is yet to be determined. The arbitrators have been legally appointed and the first hearing was held on September 19, 2018. On December 21, 2018, the parties waived all claims raised in the arbitration.

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 and the arbitral tribunal is in the process of being formed.

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 October 27, 2016, Mr. Penades filed a notice of appeal to the United States Court of Appeals for the Second Circuit. On May 17, 2017, the Second Circuit entered a summary order affirming the judgment of the District Court, granting the Republic's motion to dismiss Mr. Penades's complaint. On May 31, 2017, Mr. Penades filed a petition for a rehearing en banc of the Second Circuit's summary order. On July 5, 2017, the Second Circuit denied Mr. Penades' petition for a rehearing en banc.

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. The Republic was served with process on October 16, 2018. 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 December 17, 2018, the Republic filed a motion to dismiss the new complaint. However, on January 7, 2019, Mr. Penades filed an amended complaint (the "Amended Complaint") against the Republic. On January 22, 2019, the Republic filed a motion to dismiss the Amended Complaint, arguing that the Amended Complaint should be dismissed on *res judicata* grounds, based on the dismissal of Mr. Penades's original complaint filed in 2015. Mr. Penades filed an affirmation on February 18, 2019 in opposition to the motion to dismiss the Amended Complaint, arguing that he was litigating new facts that he could not litigate before and that his lawsuit based on the 2030 Notes and 2012 Notes should therefore proceed. He also argued that his lawsuit should be allowed to proceed on the ground of public policy. On March 4, 2019, the Republic filed a reply arguing that there were in fact no new facts that give rise to any right for Mr. Penades to sue again on the 2030 Notes and 2012 Notes and no cognizable public policy that might apply in his favor.

An initial case management conference was held with the court on April 24, 2019. On April 23, 2019, the day prior to the case management conference, Mr. Penades filed letter motions with the court requesting that the court review certain documents during the case management conference and requesting that the court take judicial notice of certain other documents. At the conference the court denied both of those letter motions and also stayed discovery in the case pending the resolution of the Republic's motion to dismiss the Amended Complaint.

The court has not yet ruled on the motion to dismiss the Amended Complaint.

Albacora

On March 3, 2015, Albacora Group ("Albacora") notified Ecuador it had initiated investment arbitration proceedings against the Republic under the Bilateral Investment Treaty between Ecuador and Spain and the 1976 UNCITRAL rules, based on the alleged tax treatment by the Republic to four of Albacora's subsidiaries operating free trade zones in Porsoja, Ecuador. Albacora alleges that its four subsidiaries, as users of free trade zones, are entitled to full tax exoneration, while the Republic contends that at the moment the four Albacora subsidiaries were classified as free trade zone users in 2008, the relevant tax provision was not in effect. Albacora is seeking U.S.$54 million in payment.

On April 4, 2016, Albacora notified the Republic of the initiation of the proceedings, and from 2016 to 2017, the parties exchanged briefs and completed several initial stages of the arbitral processes. A hearing on the question of jurisdiction and on the merits was held in January 2018. In March and April of 2018, Albacora and the Republic filed their respective memorandums of law and their respective reply briefs. As of the date of this Supplement a decision on the merits of this case is still pending.

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. As of the date of this Supplement, the case on the merits remains in its initial stages.

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 yet to be determined. As of the date of this Supplement, the parties are in direct negotiations.

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 Efluents 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 May 9, 2019, the arbitral tribunal had not yet been formed.

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 and has delivered to the Officer of the Prosecutor General several reports including indications of criminal liability.

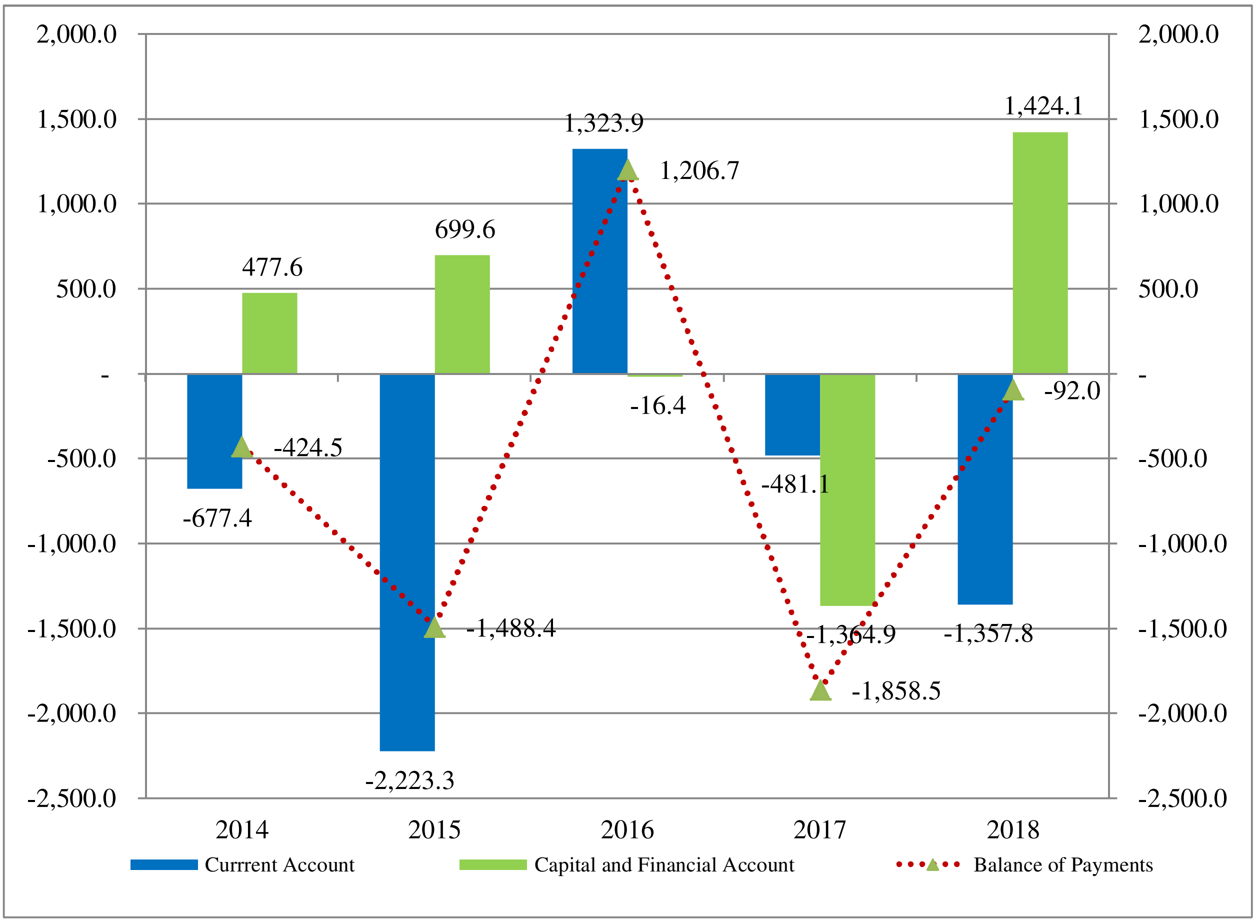
INDRA

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.



Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the Fourth Quarter of 2018. 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 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.

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, an 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.$)

	2014	2015	2016	2017	2018
Current Account	**-677.5**	**-2,223.3**	**1,323.9**	**-481.1**	**-1,357.8**
Trade balance	**-63.5**	**-1,649.8**	**1,567.3**	**311.4**	**-263.0**
Exports[2]	26,596.5	19,048.7	17,425.4	19,618.3	22,122.8
Petroleum and derivatives	13,275.5	13,275.5	6,660.3	5,459.2	8,801.7
Non-petroleum	12,448.9	12,448.9	11,670.3	11,338.5	12,804.4
Non-registered commerce and other exports	872.0	872.0	718.1	627.7	516.7
Imports	-26,660.0	-20,698.5	-15,858.1	-19,306.8	-22,385.8
Services	**-1,170.7**	**-805.2**	**-1,054.5**	**-1,103.1**	**-709.8**
Rendered services (credit)	2,346.3	2,391.3	2,139.8	2,191.1	2,539.5
Transportation	437.0	444.3	409.8	413.6	430.1
Travel	1,482.1	1,551.4	1,443.6	1,548.1	1,871.1
Other	427.1	395.7	286.4	229.5	238.3
Rendered services (debit)	-3,517.0	-3,196.6	-3,194.3	-3,294.2	-3,249.3
Transportation	-1,743.9	-1,510.1	-1,238.2	-1,471.4	-1,548.6
Travel	-634.6	-638.6	-661.1	-686.7	-653.3
Other	-1,138.5	-1,047.8	-1,295.0	-1,136.0	-1,047.5
Investment income	**-1,551.8**	**-1,730.8**	**-1,842.9**	**-2,354.1**	**-2,793.9**
Inflows (credit)	120.7	140.3	163.8	187.1	239.1
Outflows (debit)	-1,672.5	-1,871.1	-2,006.7	-2,541.2	-3,033.0
Employees' remuneration	-11.4	-13.5	-14.4	-14.5	-14.6
Direct investment income	-663.6	-598.1	-433.9	-364.8	-455.1
Portfolio investment income	-143.2	-230.9	-300.7	-808.4	-1,260.3
Other	-854.2	-1,028.6	-1,257.7	-1,353.5	-1,302.9
Net transfers	**2,108.5**	**1,962.5**	**2,653.9**	**2,664.6**	**2,408.9**
Emigrant remittances	2,461.7	2,377.8	2,602.0	2,840.2	3,030.6
Capital and financial account	**477.6**	**699.6**	**-16.4**	**-1,364.9**	**1,424.1**
Capital account	**66.8**	**-69.1**	**-813.8**	**68.7**	**-192.5**
Financial account	**410.9**	**768.7**	**797.5**	**-1,433.6**	**1,616.6**
Direct Investment	772.3	1,322.5	767.4	618.4	1,401.0
Portfolio Investment	1,500.4	1,473.4	2,200.9	6,490.6	2,600.9
Other Investment	-1,861.8	-2,027.1	-2,170.9	-8,542.7	-2,385.3
Errors and omissions	**-224.6**	**35.2**	**-100.8**	**-12.5**	**-158.2**
Total balance of payments	**-424.5**	**-1,488.4**	**1,206.7**	**-1,858.5**	**-92.0**
Financing	**424.5**	**1,488.4**	**-1,206.7**	**1,858.5**	**92.0**
International Reserves[3]	411.5	1,453.1	-1,762.9	1,807.8	-225.5
IMF loans	-	-	365.2	-	-
Exceptional Financing, net[4]	13.0	35.3	191.0	50.7	317.4

Source: Based on figures from the Central Bank 2018 Quarterly Balance of Payments Bulletin for the Fourth Quarter of 2018. 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.$)

	September 2017	December 2017	September 2018	December 2018
Current Account	**-449.8**	**-328.2**	**-242.7**	**-776.5**
Trade balance	**-302.5**	**-116.4**	**-84.5**	**-446.2**
Exports [2]	4,743.5	5,195.8	5,738.4	5,468.0
Imports	-5,046.1	-5,312.2	-5,822.9	-5,914.2
Services	**-262.4**	**-303.7**	**-168.3**	**-191.7**
Rendered services (credit)	560.1	564.1	655.7	674.7
Transportation	108.7	107.8	114.7	110.3
Travel	393.9	404.1	487.1	499.5
Other	57.5	52.2	54.0	64.9
Rendered services (debit)	-822.5	-867.8	-824.0	-866.4
Transportation	-399.2	-374.6	-396.1	-414.1
Travel	-186.1	-166.0	-168.8	-157.9
Other	-237.2	-327.2	-259.1	-294.4
Investment income	**-587.9**	**-600.6**	**-682.2**	**-759.3**
Inflows (credit)	44.6	52.5	60.3	58.0
Outflows (debit)	-632.5	-653.1	-742.5	-817.4
Employees' remuneration	2.2	2.4	2.2	1.8
Other outflows investment income[3]	42.4	50.1	58.1	56.2
Net transfers	**703.0**	**692.4**	**692.3**	**620.7**
Emigrant remittances	752.2	763.4	768.1	780.1
Other transfers	147.3	134.3	115.3	125.7
Outgoing transfers	-196.5	-205.3	-191.1	-285.2
Capital and financial account	**-1,610.6**	**324.7**	**-147.6**	**487.0**
Capital account	**18.1**	**18.7**	**17.8**	**19.4**
Financial account	**-1,628.6**	**306.0**	**-165.4**	**467.6**
Direct Investment	148.8	96.1	259.0	596.2
Portfolio Investment	188.6	2,896.5	-59.9	-64.8
Other Investment	-1,966.1	-2,686.6	-364.5	-63.8
Errors and omissions	**-55.1**	**69.1**	**-76.4**	**-35.1**
Total balance of payments	**-2,115.5**	**65.6**	**-466.8**	**-324.6**
Financing	**2,115.5**	**-65.6**	**466.8**	**324.6**
International Reserves [4]	2,104.8	-88.7	473.7	16.5
IMF loans	-	-	-	-
Exceptional Financing, net [5]	10.8	23.1	-6.9	308.2

Source: Based on figures from the Central Bank 2018 Quarterly Balance of Payments Bulletin for the Fourth Quarter of 2018. 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.

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.

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.

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 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.

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.

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.

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.$1,401.0 million, an increase compared to the 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 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.

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 net income of oil exports (U.S.$2,065 million) and 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 the net cash withdrawals from the financial system by U.S.$589 million.

As of April 30, 2019, Ecuador's International Reserves totaled U.S.$3,488.3 million, a decrease from April 30, 2018 when International Reserves totaled U.S.$4,260.4 million. This decrease in International Reserves was mainly due to net positive money transfers abroad and net cash withdrawals from the financial system, despite an increase in money transfers from crude oil exports which was larger than money transfers made for imports of oil derivatives. On December 27, 2018, to face a temporary decrease in liquidity in the country's international reserves, the Central Bank announced it had activated a U.S.$300 million facility it had in place with one of its international counterparties at an annual 2.86% interest rate temporarily transferring a certain amount of gold reserves. On January 4, 2019, the Central Bank announced the country's gold reserves had been replenished and the funds returned to the counterparty.

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 2014, 2015, 2016, 2017 and 2018 exports of petroleum and petroleum derivatives accounted for approximately 51.6%, 36.4%, 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 three months of 2019, overall exports increased to U.S.$5,302 million, compared to U.S.$5,239 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

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the Fourth Quarter of 2018.

(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 2017	4,823.5	-4,626.7	196.8
Third Quarter of 2017	4.743.5	-5,046.1	-302.5
Fourth Quarter of 2017	5,195.8	-5,312.2	-116.4
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

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the Fourth Quarter of 2018.

(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 EU 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.

There have also been other measures taken to increase local production, including the creation of the Ministry of Commerce 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; and

- 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.

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 three months of 2019, overall exports amounted to U.S.$5,302 million, an increase of 1.2% compared to U.S.$5,239 million for the same period in 2018. This increase was primarily due to a 4.2% increase in export volume from 7,702 thousand metric tons to 8,024 thousand metric tons, mainly of crude oil, banana, shrimp, mining products, fruits, cacao, metal manufacturing, and others, despite a decrease in the unit prices of some of such exports, such as crude oil and shrimp.

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,										January 1– March 31			
	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	1,817	34.7	1,832	34.6
Bananas and plantains............	2,577	10.0	2,808	15.3	2,734	16.3	3,035	15.9	3,196	14.8	873	16.7	877	16.5
Petroleum derivatives	259	1.0	305	1.7	405	2.4	724	3.8	948	4.4	232	4.4	224	4.2
Shrimp....................................	2,513	9.8	2,280	12.4	2,580	15.4	3,038	15.9	3,235	15.0	761	14.5	811	15.3
Cacao......................................	576	2.2	693	3.8	621	3.7	588	3.1	664	3.1	110	2.1	135	2.5
Coffee.....................................	24	0.1	18	0.1	18	0.1	17	0.1	13	0.1	3	0.1	2	0.0
Tuna and other fish	296	1.2	258	1.4	244	1.5	242	1.3	304	1.4	94	1.8	94	1.8
Flowers...................................	918	3.6	820	4.5	802	4.8	881	4.6	852	3.9	265	5.1	267	5.0
Metal manufacturing[(2)]...........	519	2.0	510	2.8	402	2.4	440	2.3	523	2.4	117	2.2	100	1.9
Other products[(3)].....................	5,024	19.5	4,284	23.4	3,936	23.4	3,967	20.7	4,018	18.6	967	18.5	959	18.1
Total .... _	**25,724**	**100**	**18,331**	**100**	**16,798**	**100**	**19,122**	**100**	**21,606**	**100**	**5,239**	**100**	**5,302**	**100**

Source: Based on figures from the Central Bank April 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)

											January 1 – March 31			
	2014		**2015**		**2016**		**2017**		**2018**		**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	617	11.7	641	11.5
Durable goods.......................	2,230	8.0	1,593	7.4	1,241	7.6	1,944	9.7	2,362	10.2	551	10.5	503	9.0
Postal traffic..........................	208	0.8	131	0.6	136	0.8	165	0.8	173	0.7	42	0.8	40	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	896	17.0	1,032	18.5
Primary materials														
Agriculture	1,351	4.9	1,199	5.6	1,112	6.8	1,243	6.2	1,497	6.5	356	6.8	362	6.5
Industrial…	6,147	22.2	5,445	25.3	4,501	27.6	5,401	27.0	5,854	25.2	1,377	26.1	1,413	25.4
Construction materials..........	1,120	4.0	658	3.1	413	2.5	475	2.4	590	2.5	129	2.5	178	3.2
Capital goods														
Agriculture	128	0.5	144	0.7	117	0.7	141	0.7	162	0.7	42	0.8	30	0.5
Industrial…	4,898	17.7	3,948	18.3	2,978	18.2	3,427	17.1	3,679	15.9	874	16.6	959	17.2
Transportation equipment	1,954	7.0	1,471	6.8	992	6.1	1,308	6.5	1,574	6.8	371	7.0	390	7.0
Other....................................	60	0.2	63	0.3	62	0.4	53	0.3	77	0.3	10	0.2	25	0.4
Total......................................	**27,726**	**100**	**21,518**	**100**	**16,324**	**100**	**20,010**	**100**	**23,193**	**100**	**5,265**	**100**	**5,573**	**100**

Source: Based on figures from the Central Bank April 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)

											January 1 – March 31			
	2014		2015		2016		2017		2018		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	1,442	27.5	1,560	29.4
Peru	1,582	6.1	934	5.1	934	5.6	1,283	6.7	1,615	7.5	453	8.7	244	4.6
Colombia	951	3.7	784	4.3	811	4.8	763	4.0	833	3.9	206	3.9	233	4.4
Chile	2,328	9.0	1,138	6.2	1,151	6.9	1,236	6.5	1,467	6.8	346	6.6	353	6.7
Panama	1,398	5.4	442	2.4	662	3.9	936	4.9	1,244	5.8	320	6.1	556	10.5
Other (Americas)[2]	1,554	6.0	1,247	6.8	1,090	6.5	1,009	5.3	1,113	5.1	235	4.5	300	5.7
Total Americas	19,052	74.1	11,771	64.2	10,083	60.0	11,284	59.0	12,942	59.9	3,002	57.3	3,246	61.2
Europe														
European Union (EU)	2,981	11.6	2,773	15.1	2,832	16.9	3,173	16.6	3,269	15.1	818	15.6	741	14.0
Italy	431	1.7	326	1.8	461	2.7	587	3.1	647	3.0	192	3.7	121	2.3
United Kingdom	176	0.7	166	0.9	139	0.8	200	1.0	187	0.9	38	0.7	34	0.6
Germany	526	2.0	549	3.0	531	3.2	502	2.6	494	2.3	127	2.4	91	1.7
Spain	525	2.0	484	2.6	547	3.3	601	3.1	582	2.7	124	2.4	138	2.6
Other (EU)[3]	1,323	5.2	1,249	6.8	1,153	6.9	1,283	6.7	1,359	6.3	336	6.4	357	6.7
Rest of Europe[4]	1,072	4.2	903	5.0	902.5	5.4	970	5.1	963	4.5	272	5.2	289	5.4
Total Europe	4,053	15.8	3,676	20.1	3,734	22.2	4,144	21.7	4,232	19.6	1,090	20.8	1,029	19.4
Asia														
Taiwan	7	0.0	6	0.0	9	0.1	12	0.1	6	0.0	1	0.0	2	0.0
Japan	326	1.3	331	1.8	320	1.9	389	2.0	319	1.5	87	1.7	71	1.3
China	485	1.9	723	3.9	656	3.9	772	4.0	1,494	6.9	356	6.8	463	8.7
South Korea	57	0.2	173	0.9	83	0.5	115	0.6	104	0.5	30	0.6	32	0.6
Other countries[5]	1,558	6.1	1,475	8.0	1,775	10.6	2,307	12.1	2,368	11.0	634	12.1	415	7.8
Total Asia	2,433	9.5	2,708	14.8	2,842	16.9	3,595	18.8	4,291	19.9	1,109	21.2	983	18.5
Africa	122	0.5	105	0.6	65	0.4	43	0.2	83	0.4	23	0.4	28	0.5
Oceania	45	0.2	51	0.3	52	0.3	54	0.3	54	0.2	14	0.3	15	0.3
Other countries	20	0.1	20	0.1	21	0.1	3	0.0	4	0.0	1	0.0	1	0.0
Total	25,724	100	18,331	100	16,798	100	19,122	100	21,606	100	5,239	100	5,302	100

Source: Based on figures from the Central Bank April 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–March 31	
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019**
Americas[1]							
Mexico	967	656	491	660	732	169	164
United States	8,751	5,806	4,116	4,532	5,534	1,114	1,334
Central America	104	96	95	120	126	30	28
South America and the Caribbean							
Argentina	501	235	218	375	409	119	58
Brazil	863	712	672	867	962	227	236
Bolivia	114	183	192	196	234	37	55
Colombia	2,201	1,766	1,421	1,716	1,923	432	437
Chile	583	551	480	560	538	118	126
Panama	1,442	1,022	889	1,274	1,724	386	453
Peru	1,024	789	689	830	876	197	204
Rest of Americas and Caribbean[1]	678	487	368	468	443	104	145
TOTAL AMERICA	**17,227**	**12,302**	**9,630**	**11,598**	**13,502**	**2,934**	**3,240**
Europe							
Germany	578	497	398	481	518	132	132
Italy	326	344	258	262	319	71	67
Spain	618	430	357	620	572	130	147
UK	151	87	51	97	97	22	27
Rest of EU[2]	1,315	1,126	793	1,113	1,459	386	290
Rest of Europe[3]	302	313	313	248	275	67	59
TOTAL EUROPE	**3,288**	**2,796**	**2,170**	**2,821**	**3,241**	**808**	**722**
Asia							
China	3,613	3,266	2,549	3,064	3,589	873	931
Japan	574	478	293	408	416	119	137
Taiwan	213	182	123	139	162	36	40
South Korea	902	792	526	616	707	147	125
Rest of Asia[4]	1,548	1,431	783	1,049	1,268	276	306
TOTAL ASIA	**6,851**	**6,148**	**4,275**	**5,276**	**6,141**	**1,451**	**1,538**
Postal Traffic and regions excluding the Americas, Europe and Asia[5]	**360**	**272**	**249**	**315**	**309**	**72**	**72**
Total	**27,726**	**21,518**	**16,324**	**20,010**	**23,193**	**5,265**	**5,573**

Source: Based on figures from the Central Bank April 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.$772.3 million, U.S.$1,322.5 million and U.S.$767.4 million in 2014, 2015 and 2016, respectively. In 2017, foreign direct investment reached U.S.$618.4 million, a decrease compared to the U.S.$767.4 million in 2016. This decrease was principally due to a U.S.$158.0 million decrease in the shares and other equity security interests 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.$1,401 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 oil sector represented the largest percentage of foreign direct investment with 53% of all investment; services rendered to businesses and commerce followed representing 13.4% and 13.0% 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									
	2014		2015		2016		2017		2018	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Agriculture, forestry, hunting and fishing	38.9	5.0	67.8	5.1	41.9	5.5	124.6	20.1	59.3	4.2
Commerce [1]	148.5	19.2	172.9	13.1	122.2	15.9	102.0	16.5	182.7	13.0
Construction	4.7	0.6	6.8	0.5	30.5	4.0	59.1	9.6	86.8	6.2
Electricity, gas and water	-4.7	-0.6	61.8	4.7	1.2	0.2	2.1	0.3	2.8	0.2
Petroleum [2]	685.6	88.8	559.8	42.3	462.8	60.3	68.3	11.0	742.0	53.0
Manufacturing	107.7	13.9	264.1	20.0	37.5	4.9	144.2	23.3	103.0	7.3
Social and personal services	14.1	1.8	-10.8	-0.8	-1.9	-0.2	-3.9	-0.6	-1.5	-0.1
Services rendered to businesses	24.4	3.2	243.8	18.4	33.3	4.3	75.0	12.1	187.3	13.4
Transportation, storage and telecommunications	-247.0	-32.0	-43.6	-3.3	40.0	5.2	47.0	7.6	38.7	2.8
Total	**772.3**	**100**	**1,322.5**	**100**	**767.4**	**100**	**618.4**	**100**	**1,401.0**	**100.0**

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the Fourth Quarter of 2018

[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 *Banco de Desarrollo del Ecuador B.P.* (the "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. During the period from January 1, 2017 through December 31, 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 April 30, 2019, the Ecuadorian Development Bank made a total of U.S.$148.6 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 net income of oil exports (U.S.$2,065 million) and 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 the net cash withdrawals from the financial system by U.S.$589 million. As of April 30, 2019, Ecuador's International Reserves totaled U.S.$3,488.3 million, a decrease from April 30, 2018 when International Reserves totaled U.S.$4,260.4 million. This decrease in International Reserves was mainly due to net positive money transfers abroad and net cash withdrawals from the financial system, despite an increase in money transfers from crude oil exports which was larger than money transfers made for imports of oil derivatives.

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 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 Supplement, Ecuador's solvency rules for financial institutions correspond to Basel I; however, when it comes to aspects such as risk measurement and disclosure of banking information, the majority of banks in Ecuador approach compliance with Basel II. As of the date of this Supplement, 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: Superintendent of Banks as of May 2019.

(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, and (c) microcredit extended accumulation, as loans in excess of U.S.$10,000. 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 February 28, 2019.

Classification of Aggregate Assets of the Ecuadorian Private Financial System [1]

(as a % of total loans)

	As of February 28, 2019			
Category	Commercial loans	Consumer loans	Mortgage loans	Small business
A	79.17	94.03	96.42	94.61
B	15.73	1.81	1.93	1.50
C	3.89	1.53	0.41	0.97
D	0.58	0.64	0.54	0.58
E	0.63	1.99	0.70	2.34
Total	**100**	**100**	**100**	**100**

Source: Superintendent of Banks as of May 2019. Based on data from private banks.

(1) As of April 30, 2019, 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 April 30, 2019, the Liquidity Fund consisted of approximately U.S.$2,940 million, an increase of U.S.$150 million compared with April 30, 2018, when the Liquidity Fund amounted to U.S.$2,789 million. Of the U.S.$2,939 million in the Liquidity Fund on April 30, 2019, U.S.$2,734 million corresponded to private financial institutions and U.S.$206 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 *Corporación Financiera Nacional* (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 January 31, 2019, COSEDE had assets corresponding to its administration of deposit insurance funds from various financial institutions of U.S.$1,953.58 million, an increase from U.S.$1,698.05 million as of January 31, 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 April 30,	
	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	33	38
Savings and loans associations[1]	37	24	25	26	31	26	31
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**	**88**	**93**

Source: Superintendent of Banks as of April 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.*

Banking System

Overview

As of April 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 April 30, 2019, the assets of the banking system totaled U.S.$41,368 million, an increase of 5.75% from U.S.$39,119 million as of April 30, 2018. This increase was principally due to an increase in the loan portfolio of U.S.$2,172 million and an increase in investments of U.S.$101 million.

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,					As of April 30,	
	2014	2015	2016	2017	2018	2018	2019
Total assets (in billions of U.S. dollars)	33.6	30.9	35.6	39.0	41.0	39.1	41.4
Non-performing loans (as % of total loans)	1.33%	1.45%	1.34%	1.21%	2.6%	3.2%	3.0%

Source: Superintendent of Banks as of May 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%
April 30, 2018	19,186	9,994	29,180	6%
April 30, 2019	19,305	11,028	30,333	4%

Source: Superintendent of Banks as of May 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 April 30, 2019, time and demand deposits totaled U.S.$30,333 million, an increase of 4% compared to April 30, 2018. This increase was principally due to an increase in time deposits of U.S.$1,034 million.

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, demand deposits totaled U.S.$19,457 million, a decrease of 2.3% since December 31, 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.

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 April 30, 2019, the balance of foreign liabilities in the banking sector amounted to approximately U.S.$1,952 million, which is an increase of 21.2% from the balance of foreign liabilities in April 30, 2018, which was U.S.$1,611 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
April 30, 2018	55	29	5
April 30, 2019	53	30	5

Source: Superintendent of Banks as of May 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
April 30, 2018	63.4	14.5
April 30, 2019	65.4	14.0

Source: Superintendent of Banks as of May 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 a 11.60% increase in the loan portfolio.

As of April 30, 2019, the banking system represented 78.9% of the total assets of the private financial system. For the period ended April 30, 2019, the banking system generated a profit of U.S.$187.8 million compared to U.S.$153.8 million for the same period in 2018. This increase was mainly due to an increase in interest payments of U.S.$137.0 million and an increase in service income of U.S.$26.33 million. As of April 30, 2019, the assets of the banking system totaled U.S.$41,368 million, an increase of 5.75% from U.S.$39,119 million as of April 30, 2018. This increase was principally due to an increase in the loan portfolio of U.S.$2,172 million and an increase in investments of U.S.$101 million.

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 April 30, 2019

Loans		Deposits	
Commercial, Productive and Consumer Loans	23,320	Demand Deposits	19,305
Microenterprise Loans	1,790	Time Deposits	11,028
Education Loans	420	Guarantee Deposits	1
Real Estate and Public Housing Loans	2,330	Others	1,422
Total	**27,860**	**Total**	**31,757**

Source: Superintendent of Banks as of May 2019.

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%	3%
December 31, 2018	26,609	717	27,325	97.4%	2.6%
April 30, 2018	24,818	822	25,640	96.8%	3.2%
April 30, 2019	27,038	822	27,860	97.0%	3.0%

Source: Superintendent of Banks as of May 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 generating 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 is 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 April 30, 2019, the delinquency rate decreased to 2.95% compared to the 3.21% delinquency rate as of April 30, 2018. This decrease is principally due to an increase in the non-performing loan portfolio of 0.05% despite an increase in the gross loan portfolio of 8.66%. As of April 30, 2019, 48% of all current loans were commercial, 35.9% were consumer, 8.3% were housing, 6.3% were microcredit and 1.5% 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 April 30, 2019, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.$31,757 million, an increase from the U.S.$30,498 million as of April 30, 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 from U.S.$24,818 million as of April 30, 2018 to U.S.$27,038 million as of April 30, 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,										As of April 30,			
	2014		2015		2016		2017		2018		2018		2019	
	U.S.$	%	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	136	16.5	126	15.3
Consumer	383	68.0	438	63.7	428	59.3	448	61.6	466	65.0	493	60	510	62.1
Real estate	31	5.3	39	5.6	59	8.1	61	8.4	64	9.0	72	8.8	77	9.3
Microcredit	79	13.8	90	13.1	97	13.5	79	10.9	86	12	87	10.5	89	10.9
Education[1]	-	-	22	3.2	20	2.8	21	2.9	3	0.4	26	3.1	12	1.5
Total	**565**	**100**	**687**	**100**	**721**	**100**	**728**	**100**	**717**	**100**	**813**	**100**	**815**	**100**

Source: Superintendent of Banks as of May 2019.

(1) The education loan portfolio that was previously administered by the *Instituto Ecuatoriano de Crédito Educativo y Becas* (IECE) was transferred to the banking system in February of 2015.

(2) 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 generating loans are also included in past-due loans.

Banking Sector

The first, second and third largest banks in Ecuador are Banco del Pichincha, Banco del Pacífico and Produbanco, respectively. As of December 31, 2018, the three banks accounted for about 50.5% of the reported combined income and 51.2% of Ecuador's banking assets. Return on equity for these three banks averaged 15% for 2018, an increase of 10.6% compared to 2017, while net profit increased from U.S.$184 million in 2017 to U.S.$280 million in 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, 2018, Banco del Pacífico had approximately U.S.$5,534 million in assets. As of April 30, 2019, its assets totaled approximately U.S.$5,708 million. According to the Superintendent of Banks, Banco del Pacífico's profits were U.S.$100.3 million for the year ended December 31, 2018. Its profits for the four-month period ended April 30, 2019, were U.S.$32.69 million.

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 April 30, 2019, approximately 3.18% 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 Supplement, 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 April 30, 2019, the Ecuadorian Stock Exchanges combined listed the securities of approximately 373 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 April 30, 2019, U.S.$402.5 million worth of securities were traded in the secondary market, representing 10% of the Ecuadorian securities market. Repo trading represented 0.2% of the total market.

Aggregate Amounts of Traded Securities

(in millions of U.S. dollars)

	As of December 31,					As of April 30,	
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019**
Repos	203.3	23.0	14.2	44.6	37.2	5.4	7.7
Other [(1)]	7,340.8	5,023.8	8,318,5	6,578.2	7,438.2	2,204.3	3,960.7
Total	**7,544.1**	**5,046.8**	**8,332.7**	**6,622.8**	**7,475.4**	**2,209.7**	**3,968.4**

Source: *Bolsa de Valores de Quito* (“Quito 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 is 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 is 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 April 30, 2019, U.S.$3,968.4 million worth of securities were traded on the Ecuadorian Stock Exchanges, representing an increase compared to the U.S.$2,209.7 million of securities traded as of April 30, 2018. This increase was due to an increase in the amount of certificates of treasury, investment certificates and securitizations.

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 April 30
	2014	2015	2016	2017	2018	2019
Deposit interest rate	5.2	5.1	5.1	5.0	5.4	5.8
Lending interest rate	8.2	9.1	8.1	7.8	8.7	8.6
Corporate productive lending interest rate[1]	8.2	9.2	8.5	7.8	8.8	9.2
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	9.9
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	8.4
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	9.6
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	8.6
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	11.2
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	16.7
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	16.7
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	9.4
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	10.1
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	20.3
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	20.7
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	23.5
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	22.9
Maximum microcredit simple accumulation interest rate[9]	n/a	n/a	n/a	n/a	27.5	27.5
Microcredit subsistence accumulation lending interest rate[11] [8]	28.6	29.0	27.3	27.4	26.5	26.3
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	24.1
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 April Monthly Bulletin (Table 1.10.1). Other 2019 figures based on Central Bank April 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%. As of January 31, 2019, the ordinary consumer lending interest rate was 16.3% and the priority consumer lending interest rate was 16.1%.

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%. As of January 31, 2019, the ordinary commercial lending interest rate was 8.1% and the corporate productive lending interest rate was 9.1%.

The following table sets forth the principal monetary indicators for the periods presented.

Principal Monetary Indicators

(in millions of U.S. dollars)

	As of December 31,					As of March 31,	
	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	14,721.2	15,616.2
Demand deposits	9,068.8	7,201.0	9,281.4	9,577.6	9,260.5	9,613.6	9,299.3
Fractional Currency........................	86.6	86.3	88.2	85.3	83.6	84.7	80.5
M1…………..................................	**18,695.3**	**19,041.7**	**22,634.9**	**24,530.5**	**25,259.9**	**24,427.2**	**24,995.9**
Savings………..........................	3,506.1	3,053.5	6,044.1	5,244.5	4,859.5	5,141.0	3,525.4
Term deposits	21,409.1	20,609.0	23,553.5	26,260.3	28,404.8	26,725.7	28,751.2
M2 (M1 plus term deposits)	**40,104.4**	**39,650.7**	**46,188.4**	**50,790.8**	**53,664.7**	**51,152.9**	**53,747.1**

Source: Based on figures from the Central Bank April 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 increased from -0.78% for the 12-month period ended April 30, 2018 to 0.19% for the 12-month period ended April 30, 2019. This increase was primarily due to a general increase in prices, with the prices of alcoholic beverages, tobacco, education and transportation increasing the most, as well as an increase in the price of high-octane gasoline ("super") gasoline following the partial elimination of a government subsidy.

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
April 2018	-0.78
April 2019	0.19

Source: Based on figures from the Central Bank April 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 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such public debt ceiling will not apply. This new law provides that for the period from 2018 to 2021, a fiscal stability plan will be implemented by the Ministry of Economy and Finance. 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 mandates that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, which will 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 enacted Decree 537 repealing Decree 1218 in its entirety which became effective on October 30, 2018, see "*Public Debt—Decree 1218.*"

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. It provides that the calculation of the public debt to GDP ratio will 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. It defines total public debt as the sum of the public debt incurred by the entities comprising the public sector. This regulation provides for a transition period ending on May 31, 2019, when the Ministry of Economy and Finance will issue the first report on public debt following the methodology set out in this regulation. Once this transition period is over, public debt figures as presented in the Offering Circular and this Supplement may vary.

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 April 30, 2019, the Ministry of Economy and Finance had an outstanding balance of U.S.$2,386.7 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.*" The Government received external funding from FLAR, which in September 2012 disbursed a balance-of-payments back-up credit of U.S.$514.6 million. The China Development Bank also disbursed U.S.$500 million. In the first several months of 2013, the Government received U.S.$1.4 billion from China Development Bank under a new line of credit that was negotiated in December 2012. These funds were used to restore Ecuador's 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 net income of oil exports (U.S.$2,065 million) and 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 the net cash withdrawals from the financial system by U.S.$589 million. As of April 30, 2019, Ecuador's International Reserves totaled U.S.$3,488.3 million, a decrease from April 30, 2018 when International Reserves totaled U.S.$4,260.4 million. This decrease in International Reserves was mainly due to net positive money transfers abroad and net cash withdrawals from the financial system, despite an increase in money transfers from crude oil exports which was larger than money transfers made for imports of oil derivatives.

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.

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,										January 1 – February 28[1]	
	2014	% of GDP	2015	% of GDP	2016	% of GDP	2017	% of GDP	2018	% of GDP	2018	2019
Revenue												
Petroleum revenue												
Exports[2]	10,906	10.7	6,487	6.5	5,402	5.4	5,840	5.6	8,621	8.0	813	1,255
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**	**813**	**1,255**
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	583	568
Value-added tax	6,376	6.3	6,352	6.4	5,400	5.4	5,979	5.7	6,384	5.9	1,111	1,155
Selected excise taxes	803	0.8	840	0.9	790	0.8	937	0.9	978	0.9	170	156
Taxes on international trade	1,357	1.3	2,026	2.0	1,633	1.6	1,468	1.4	1,561	1.4	231	243
Social security contributions	4,718	4.6	5,057	5.1	4,741	4.7	5,415	5.2	5,553	5.1	837	946
Other[3]	6,524	6.4	6,749	6.8	8,091	8.1	7,911	7.6	8,366	7.8	1,294	1,377
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**	**4,226**	**4,445**
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**	**492**	**247**
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**	**5,531**	**5,946**
Expenses												
Current expenditures												
Interest	1,024	1.0	1,421	1.4	1,561	1.6	2,209	2.1	2,678	2.5	220	318
Foreign	829	0.8	1,143	1.1	1,335	1.3	1,850	1.8	2,306	2.1	142	275
Domestic	195	0.2	278	0.3	226	0.2	359	0.3	371	0.3	78	43
Wages and salaries	9,478	9.3	9,904	10.0	10,014	10.0	10,365	9.9	10,672	9.8	1,591	1,606
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	386	643
Social security	3,665	3.6	4,222	4.3	4,655	4.7	4,999	4.8	5,382	5.0	783	830
Others	9,497	9.3	6,890	6.9	5,691	5.7	5,777	5.5	8,117	7.5	1,174	1,462
Total current expenditure	**28,992**	**28.5**	**27,550**	**27.7**	**26,604**	**26.6**	**28,407**	**27.2**	**33,032**	**30.5**	**4,155**	**4,859**
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	548	783
General state budget	8,290	8.1	5,532	5.6	6,105	6.1	5,086	4.9	3,243	3.0	121	93
Public companies	4,218	4.1	3,128	3.2	2,533	2.5	1,870	1.8	1,788	1.6	255	414
Rest of general government	1,472	1.4	1,518	1.5	1,655	1.7	1,692	1.6	1,424	1.3	172	276
Other capital expenditure	1,375	1.4	1,533	1.5	731	0.7	1,024	1.0	678	0.6	89	80
Total capital expenditure	**15,354**	**15.1**	**11,712**	**11.8**	**11,024**	**11.0**	**9,672**	**9.3**	**7,133**	**6.6**	**637**	**863**
Total expenditure	**44,346**	**43.6**	**39,262**	**39.5**	**37,628**	**37.7**	**38,079**	**36.5**	**40,166**	**37.1**	**4,792**	**5,722**
Surplus/Deficit	**-5,314**	**-5.2**	**-5,940**	**-6.0**	**-7,314**	**-7.3**	**-4,653**	**-4.5**	**-1,300**	**-1.2**	**740**	**225**

Source: Based on figures from the Central Bank April 2019 Monthly Bulletin (Table 2.1 and Table 2.2).

[1] Figures for the period from January 1, 2019 to February 28, 2019 were calculated based on aggregations of figures for the first two months as published in *Table 2.2*. Figures for the period from January 1, 2018 to February 28, 2018 were calculated based on aggregations of figures for the first two months as published in *Table 2.2* of the Central Bank April 2018 Monthly Bulletin.

[2] 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.

[3] 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 is 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 two months of 2019, the non-financial public sector registered a surplus of U.S.$225 million compared to a surplus of U.S.$740 for the first two months of 2018. This decrease in total surplus is primarily due to an increase in capital expenditure by public sector entities with no allocations in the general state budget.

For the first two months of 2019, total revenues for the non-financial public sector totaled U.S.$5,946 million, an increase from U.S.$5,531 million for the first two months of 2018. This increase is primarily due to an increase in income from petroleum.

For the first two months of 2019, total expenditures for the non-financial public sector totaled U.S.$5,722 million, an increase compared to U.S.$4,792 million for the first two months of 2018. This increase is primarily due to an increase in capital expenditure by public sector entities with no allocations in the general state budget, an increase in interest expenditure and an increase in goods and services expenditure.

For 2019, the Ministry of Economy and Finance's estimated projection for financing needs (both internal and external debt) is approximately U.S.$8,896 million. The Ministry of Economy and Finance estimates that approximately U.S.$7,515 million will derive from international financing and approximately U.S.$1,381 million from domestic financing. With respect to international financing, the Ministry of Economy and Finance expects that such financing may come from various sources, including drawdowns under existing loan facilities, the IMF's Extended Fund Facility, bilateral and multilateral lending facilities, bond issuances and other methods of providing liquidity such as the monetization of receivables, among others. With respect to domestic financing, the Ministry of Economy and Finance expects that such financing may derive from rollovers of existing debt, new placements by the Ministry of Economy and Finance, and new lending facilities from domestic banks. While the Ministry of Economy and Finance has expectations as to the approximate amounts to be derived from the various sources, such allocation is subject to market conditions as well as the policies of the new administration and such amounts and the use of the financing sources set forth in this paragraph is subject to change.

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 – February 28[1]	
	2014	% of GDP	2015	% of GDP	2016	% of GDP	2017	% of GDP	2018	% of GDP	2018	2019
Revenue[2]												
Petroleum revenue	**3,765**	**3.7**	**2,264**	**2.3**	**2,003**	**2.0**	**1,676**	**1.6**	**2,109**	**1.9**	**160**	**271**
Non-petroleum revenue	**16,616**	**16.2**	**18,081**	**18.0**	**16,552**	**16.9**	**16,494**	**16.0**	**18,125**	**16.7**	**2,723**	**2,692**
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	1,111	1,155
Selected excise taxes	803	0.8	840	0.8	790	0.8	937	0.9	978	0.9	170	156
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	1,281	1,311
Income Tax	4,161	4.1	4,734	4.7	3,640	3.7	3,764	3.7	4,803	4.4	583	568
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	231	243
Export duties[3]	1,406	1.4	1,278	1.3	815	0.8	935	0.9	1,042	1.0	183	164
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	414	407
Vehicle tax	228	0.2	223	0.2	195	0.2	191	0.2	215	0.2	42	41
Other taxes	129	0.1	135	0.1	1,546	1.6	805	0.8	440	0.4	58	70
Total tax revenue	**14,460**	**14.1**	**15,588**	**15.6**	**14,017**	**14.3**	**14,078**	**13.7**	**15,422**	**14.2**	**2,378**	**2,396**
Non-tax revenue	**2,061**	**2.0**	**2,021**	**2.0**	**2,152**	**2.2**	**2,098**	**2.0**	**2,245**	**2.1**	**345**	**268**
Transfers	**95**	**0.1**	**471**	**0.5**	**383**	**0.4**	**318**	**0.3**	**458**	**0.4**	**0**	**28**
Total revenues	**20,381**	**19.9**	**20,344**	**20.3**	**18,556**	**19.0**	**18,170**	**17.6**	**20,233**	**18.7**	**2,884**	**2,963**
Current expenditure												
Interest accrual												
Foreign	715	0.7	971	1.0	1,148	1.2	1,614	1.6	2,074	1.9	99	243
Domestic	682	0.7	789	0.8	791	0.8	868	0.8	905	0.8	118	114
Total interest accrual	1,397	1.4	1,759	1.8	1,938	2.0	2,482	2.4	2,979	2.7	216	357
Wages and salaries	8,359	8.2	8,761	8.7	8,870	9.1	9,140	8.9	9,451	8.7	1,402	1,412
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	163	212
Other current expenditures	998	1.0	691	0.7	742	0.8	715	0.7	769	0.7	135	106
Transfers	1,737	1.7	863	0.9	1,028	1.1	1,155	1.1	1,651	1.5	241	428
Total current expenditure	**14,981**	**14.6**	**14,484**	**14.5**	**14,514**	**14.8**	**15,630**	**15.2**	**17,270**	**15.9**	**2,157**	**2,515**
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	121	93
Other	22	-	152	0.1	394	0.4	369	0.4	145	0.1	39	0
Capital Transfers	3,501	3.4	4,117	4.1	3,092	3.2	3,226	3.1	3,497	3.2	504	484
Total capital expenditure	**11,812**	**11.5**	**9,801**	**9.9**	**9,590**	**9.8**	**8,681**	**8.4**	**6,885**	**6.4**	**663**	**577**
Total Expenditure[3]	**26,794**	**26.2**	**24,285**	**24.5**	**24,103**	**24.6**	**24,312**	**23.6**	**24,154**	**22.3**	**2,820**	**3,092**
Adjustment on treasury accounts	-	-	-	-	n/a	n/a	n/a	n/a	**-**	0.0		
Overall surplus or deficit	-6,413	-6.3	-3,941	-4.0	-5,548	-5.7	-6,142	-6.0	-3,921	-3.6	63	-129

Source: Based on figures from the Central Bank April 2019 Monthly Bulletin (Table 2.2.1).

[1] Figures for the period from January 1, 2019 to February 28, 2019 were calculated based on aggregations of figures for the first two months as published in Table 2.2.1. Figures for the period from January 1, 2018 to February 28, 2018 were calculated based on aggregations of figures for the first two months as published in Table 2.2.1 of the Central Bank April 2018 Monthly Bulletin.

[2] Revenues are cash, expenditures are accrued.

[3] 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 is primarily due to an increase in non-oil revenue as well as an optimization of investment projects.

For the first two months of 2019, Central Government revenues totaled U.S.$2,963 million, while total expenditures were U.S.$3,092 million. This resulted in a deficit of U.S.$128.7 million for the first two months of 2019, a decrease compared to the U.S.$63.5 million surplus for the first two months of 2018. This decrease in the surplus is primarily due to an increase in interest payments and transfers to social programs.

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 month of 2019, U.S.$656 million of total tax revenues were attributed to the value-added tax, an increase from the U.S.$646 million generated in the first month of 2018. This increase was mainly due to the normal develoment of economic activity. In the first two months of 2019, the value-added tax generated U.S.$1,155 million of total tax revenues, an increase from the U.S.$1,111 million generated in the first two 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.$946 million of tax revenues in the first two months of 2019, an increase from U.S.$837 million of tax revenues in the first two 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.$568 million of of tax revenues in the first two months of 2019, a decrease from U.S.$583 million of tax revenues in the first two 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 is 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 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.

2018 and 2019 Budgets

On November 1, 2017, President Moreno presented the 2018 Draft Budget to the National Assembly for approval. On November 17, 2017, the *Comisión del Régimen Económico* (the "Committee for Economic Regime") approved the 2018 Draft Budget and issued a report making recommendations with respect to it. Later, on November 29, 2017, the National Assembly approved the 2018 Draft Budget (the "2018 Budget"). The 2018 Budget provided for a budget of approximately U.S.$34.8 billion, a 5.3% decrease from the U.S.$36.8 billion approved for the 2017 Budget. The 2018 Budget assumed an average crude oil price of U.S.$41.92 per barrel, estimated a GDP rate growth of 2.04% and an average annual inflation rate of 1.38%. The 2018 Budget provided for about U.S.$18,325 million in tax revenues, U.S.$6,539 million in non-tax revenues and U.S.$9,988 million in financial revenues. As part of the Government's austerity measures, and following the Budget Vice-Secretary's report recommending budget cuts on permanent and non-permanent expenditures of the Republic's Executive function, on June 28, 2018, the Ministry of Economy and Finance issued Resolution No. 54 reducing the 2018 Budget by U.S.$500 million.

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, 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 provides for a budget of approximately U.S.$31,301 million. The 2019 Budget provides 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 assumes 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%.

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, 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 the China Development Bank, the issuance of the 2028 Notes, the GSI Repo Transaction, the CS Repo Transaction, and the issuance of the 2029 Notes. 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. As of March 31, 2019, interest payments on all debt obligations represent approximately 0.7% of GDP. The Organic Law for Productive Development, which became effective on August 21, 2018, provides that for the period from 2018 to 2021 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such 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 Noteholders*" 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 Supplement.

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 Additional 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 2029 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.

Public external debt as of March 31, 2019 was U.S.$37,080.3 million, an increase from U.S.$34,566.9 million as of March 31, 2018 due primarily to disbursements of loans from the China Development Bank and AFD, disbursements of outstanding loans with multilateral entities, the Republic's entrance into the GSI Repo Transaction and the CS Repo Transaction, and the issuance of the 2029 Notes. As of March 31, 2019, total indebtedness owed to multilateral institutions was U.S.$10,054 million. The Republic is current on all its obligations to multilateral institutions.

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 March 31,	
	2014 [1]	**2015** [2]	**2016**[3]	**2017**	**2018**[4]	**2018**	**2019**[5]
Central Government	15,434	18,183	23,141	28,296	32,473	31,044	33,989
Public financial and non-financial entities	2,148	2,042	2,538	3,454	3,257	3,523	3,091
Total	**17,582**	**20,225**	**25,679**	**31,750**	**35,730**	**34,567**	**37,080**
External public debt as a percentage of nominal GDP[4]	17.3%	20.4%	25.7%	30.4%	32.6%	31.6%	32.8%

Source: Ministry of Economy and Finance March 2019 Bulletin. Figures as of March 31, 2018, from the Ministry of Economy and Finance March 2018 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.

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 March 31,	
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019**
Multilateral	6,560	7,928	8,247	8,488	9,462	8,419	10,054
Bilateral	6,145	6,425	7,998	7,405	6,770	7,141	6,760
Commercial and Bonds	4,877	5,873	9,434	15,858	19,498	19,007	20,266
Total Public Sector External Debt	**17,582**	**20,225**	**25,679**	**31,750**	**35,730**	**34,567**	**37,080**

Source: Ministry of Economy and Finance March 2019 Bulletin. Figures as of March 31, 2018, from the Ministry of Economy and Finance March 2018 Bulletin.

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 the China Development Bank, the China Exim Bank and the French Development Agency.

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 March 31, 2019, the top three bilateral lenders to Ecuador were China, France and Spain, with debt levels of U.S.$5,711.2 million (84.5% of the total bilateral debt), U.S.$360.1 million (5.3% of the total bilateral debt) and U.S.$222.4 million (3.3% of the total bilateral debt), respectively. As of March 31, 2019, total indebtedness owed to bilateral entities was U.S.$6,760.3 million. The Republic is current on all of its obligations to bilateral lenders.

Total indebtedness owed to multilateral institutions was U.S.$10,053.6 million as of March 31, 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 2016, Ecuador entered into four separate loan agreements with China Development Bank totaling U.S.$7,000 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, such as WTI plus or minus a spread, plus a premium paid due to the term of the contracts. The spread is calculated using Argus, a crude oil price assessment publication ("Argus") and 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 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 in 2012, totaling U.S.$2,000 million, has an eight-year term. The fourth loan agreement, signed on April 29, 2016, totaling U.S.$2,000 million, has a maturity of eight years and was signed as a result of the memorandum of understanding entered into between the parties on January 7, 2015, initially contemplating an amount of U.S.$1,500 million.

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.

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.

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 the date of this Supplement, U.S.$64 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 Supplement, 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 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 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 *Empresa Municipal de Agua Potable y Alcantarillado de Guayaquil* ("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 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 the 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 milllon was disbursed to the Republic and on January 14, 2019 an additional amount of U.S.$225 million was disbursed to the Republic.

On March 12, 2019, the Republic entered into a U.S.$50 million loan facility with IDB, with a final amortization date of November 15, 2043, to finance a program aiming 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 10, 2019, the Republic entered into a U.S.$50 million loan facility with IDB, with a final amortization date of November 15, 2043, to finance a program aiming at increasing private participation in public investments in infrastructure and public services in 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 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.

The Republic and the CAF intend to enter into, in the days following this Supplement, 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 *Programa de Saneamiento Ambiental para el Desarrollo Comunitario* (the "Environmental Sanitation for Community Development Program").

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 March 31, 2019
Multilateral					
IDB	Variable	U.S.$	1971- 2019	2019-2049	4,949.3
CAF	Variable	U.S.$	2006- 2018	2019-2038	3,409.2
IMF	Variable	DEG	2019	2031	652.0
FLAR	Variable	U.S.$	2018	2021	368.8
Others[1]	Fixed, Variable	DEG, U.S.$	1970-2018	2019-2053	674.3
Total Multilateral Debt					**10,053.6**
Bilateral					
China	Fixed, Variable	RMB, U.S.$	2010-2018	2020-2038	5,711.2
Brazil	Variable	U.S.$	2012-2013	2022-2023	117.8
Spain	Fixed	U.S.$	1990-2016	2020-2042	222.4
France	Fixed, Variable	Euro, U.S.$	1988-2017	2018-2037	360.1
Italy	Fixed	Euro	1995-2016	2025-2048	4.0
Japan	Fixed, Variable	Yen, U.S.$	1996-2017	2024-2028	86.9
Others [2] [3]	Fixed, Variable	DEG, Won, Libra, Chf	1986-2013	2021-2053	258.0
Total Bilateral Debt					**6,760.3**
Other Debt [4]					**20,266.5**
Total External Debt					**37,080.3**

Source: Ministry of Economy and Finance as of March 2019.

(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 March 31, 2019	
	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%	1,021.8	2.8%
3-5%	580.7	1.83%	662.6	1.9%	1,000.4	2.7%
5-8%[1]	8,192.1	25.80%	7,859.4	22.0%	7,859.4	21.2%
More than 8%[2]	10,439.1	32.88%	13,454.1	37.7%	14,161.6	38.2%
Floating Rate	10,875.8	34.25%	12,612.7	35.3%	13,037.2	35.2%
Total	**31,749.8**	**100%**	**35,695.5**	**100%**	**37,080.3**	**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 March 31, 2019 figures from Ministry of Economy and Finance March 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.

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	**4,629**	**6,100**	**4,854**	**6,549**	**5,395**	**6,237**	**4,067**	**5,539**	**7,166**	**5,964**	**4,110**
Principal	2,292	3,620	2,469	4,326	3,446	4,523	2,524	4,105	6,049	5,334	3,764
Interest	2,337	2,480	2,385	2,222	1,949	1,714	1,543	1,433	1,118	630	346
Rest of Public Sector	**1,058**	**857**	**376**	**306**	**283**	**270**	**242**	**184**	**159**	**140**	**178**
Principal	861	718	265	208	195	187	**177**	136	121	109	152
Interest	197	139	110	99	89	83	65	48	38	31	25
Total Debt Service	**5,687**	**6,957**	**5,230**	**6,855**	**5,678**	**6,508**	**4,309**	**5,723**	**7,325**	**6,103**	**4,287**

Source: Ministry of Economy and Finance as of March 2019.

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 March 31, 2019, public sector aggregate internal debt was U.S.$14,134.5 million, a decrease from U.S.$14,364.3 million as of March 31, 2018. This decrease was primarily due to the repayment of debt obligations to holders of the Republic's notes.

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 March 31,	
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019**
Central Government Notes	11,779	11,779	11,695	14,021	12,935	13,601	13,336
Governmental Entities [(1)]	780	766	762	765	799	764	799
Total[(2)]	**12,558**	**12,546**	**12,457**	**14,786**	**13,734**	**14,364**	**14,135**
Internal public debt as a percentage of nominal GDP[(3)]	12.3%	12.6%	12.5%	14.2%	12.5%	13.1%	12.5%

Source: Ministry of Economy and Finance March 2019 Bulletin. Figures as of March 31, 2018, from the Ministry of Economy and Finance March 2018 Bulletin.

(1) Direct issuances backed by IESS and the Ecuadorian Development Bank. Government is the debtor under all internal debt issuances.

(2) Total public sector internal debt under the aggregation methodology.

(3) Calculated using Central Bank GDP data.

As of March 31, 2019, approximately 94.3% 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 March 31, 2019, approximately 5.7% of Ecuador's internal public indebtedness is held by Governmental Entities, such as IESS and the Ecuadorian Development Bank.

As of March 31, 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.$3,613.4 million.

The last of the Ministry of Economy and Finance's short-term obligations with the Central Bank was a CETE for an amount of U.S.$11.97 million with maturity on March 23, 2019.

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 March 31,			
	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	13,601	94.7	13,336	94.3
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**	**13,601**	**94.7**	**13,336**	**94.3**
Governmental Entities[(4)]	**780**	**6.2**	**767**	**6.1**	**762**	**6.1**	**765**	**5.2**	**799**	**5.8**	**764**	**5.3**	**799**	**5.7**
Total internal debt[(5)]	**12,558**	**100**	**12,546**	**100**	**12,457**	**100**	**14,786**	**100**	**13,734**	**100**	**14,364**	**100**	**14,135**	**100**

Source: Ministry of Economy and Finance March 2019 Bulletin. Figures as of March 31, 2018, from the Ministry of Economy and Finance March 2018 Bulletin.

(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) Direct issuances backed by IESS and the Ecuadorian Development Bank.

(5) Total public sector internal debt under the aggregation methodology.

As of March 31, 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.

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 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 has been using 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. 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, the Ministry of Economy and Finance has 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 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such public debt ceiling will not apply. This new law provides that for the period from 2018 to 2021, a fiscal stability plan will be implemented by the Ministry of Economy and Finance. 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 mandates that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, which will 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 definitions and methodology for calculating and divulging the country's public debt to GDP ratio. It provides that the calculation of the public debt to GDP ratio will 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. It defines total public debt as the sum of the public debt incurred by the entities comprising the public sector. This regulation provides for a transition period ending on May 31, 2019, when the Ministry of Economy and Finance will issue the first report on public debt following the methodology set out in this regulation. Once this transition period is over, public debt figures as presented in the Offering Circular and this Supplement may vary.

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, see "*Public Debt—Organic Law for Productive Development, Investment, Employment and Fiscal Stability.*"

Certain of the total public debt and public debt to GDP ratio information set forth in this Supplement 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 March 31,	
	2014	2015	2016	2017	2018	2018	2019
Aggregate Total Debt	30,140	32,771	38,137	46,536	49,463	48,931	51,215
Aggregate Debt to GDP Ratio	29.6	33.0	38.2	44.6	45.2	44.7	45.3[1]

Source: Ministry of Economy and Finance March 2019 Bulletin.

[1] Based on the Central Bank's estimate of projected GDP.

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. Using the aggregation methodology, the total internal debt of Ecuador as of March 31, 2019 was U.S.$14,134.5 million, compared with U.S.$14,364.3 million as of March 31, 2018. This decrease was primarily due to the repayment of debt obligations to holders of the Republic's notes. Using the consolidation methodology, the total internal debt of Ecuador, as of March 31, 2019, was U.S.$712.4 million, compared with U.S.$873.2 million as of March 31, 2018. This decrease in internal debt under the consolidation methodology was primarily due to repayment to private sector noteholders. The U.S.$13,422.1 million under the aggregation methodology figure for March 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.

On October 15, 2018, President Moreno enacted 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.

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.*"

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 is being carried out by the Production, Environment and Finance Audit Department of the Office of the Comptroller General, and will be led by a Supervisory Auditor. *Acuerdo* 024-CG-2017 also included provided that the Office of the Comptroller General may 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 Citizenship 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 May 2017. 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 citizenship oversight commission supported the Office of the Comptroller General during the audit process. 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 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) 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 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.

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 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such public debt ceiling will not apply. This new law provides that for the period from 2018 to 2021, a fiscal stability plan will be implemented by the Ministry of Economy and Finance, in light of the 40% public debt to GDP ratio ceiling having been exceeded had Decree 1218 not been in place. 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 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 mandates that the Ministry of Economy and Finance issue within 90 days from August 21, 2018, a new regulation implementing a new accounting methodology, which will 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 enacted Decree 537 repealing Decree 1218 in its entirety, which became effective on October 30, 2018, see *"Public Debt—Decree 1218.*"

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. It provides that the calculation of the public debt to GDP ratio will 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. It defines total public debt as the sum of the public debt incurred by the entities comprising the public sector. This regulation provides for a transition period ending on May 31, 2019, when the Ministry of Economy and Finance will issue the first report on public debt following the methodology set out in this regulation. Once this transition period is over, public debt figures as presented in the Offering Circular and this Supplement may vary.

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 Noteholders*" 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 Supplement.

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: "[t]he 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 "[t]he 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, 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 next three years from six other multilateral agencies and development banks. As noted in the IMF's press release dated February 21, 2019, "[t]he 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 next 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 Inter-American Development Bank; 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 French Development Agency. 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 General Manager of the Central Bank of Ecuador presented the IMF with a letter of intent ("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, "[t]he 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 aiming 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 in May 2019 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 plan is for this reform proposal to be presented to the National Assembly no later than June 2019.

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.

The other staff-level agreements with multilateral agencies and development banks are subject to the approval of each organization's executive board. On May 24, 2019, the Republic entered into a U.S.$300 million loan agreement with the CAF and a U.S.$500 million loan agreement with the IDB. In the following months, the Republic expects to enter into a U.S.$850 million loan agreement with the World Bank, a U.S.$ 300 million loan agreement with IDB and a U.S.$ 150 million loan agreement with the French Development Agency**.**

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 and intends to make all payments as they become due and payable. 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 and intends to make all payments as they become due and payable. 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. In the days following this Supplement, the Republic intends to cancel an amount of U.S.$701,616,000 2020 Notes that it has received from GSI in the context of a substitution under the Amended August 2018 GSI-Ecuador Repurchase Agreement. See "*GSI Repo Transaction*" below.

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 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, within the context of a repo transaction with CS (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. The Republic is current on its financial obligations under the 2026 Notes and intends to make all payments as they become due and payable. 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.

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. 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 Notes, issuing an additional U.S.$688,268,000 million 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.

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.

GSI Loan Facility

On October 11, 2017 the Republic and Goldman Sachs International ("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—Decree 1218*". 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 Presidential 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 and until the public debt reaches a level below the public debt ceiling of 40% of GDP, such 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 Noteholders*" 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 Supplement.

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 Supplement, 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 the Offering Circular) 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 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 Additional 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 Additional 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 Additional 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 Additional 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 Additional 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 Additional 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 Additional 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 Additional 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 or about the date hereof: (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 the 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. The Republic expects to cancel the Substituted August 2018 Additional Notes pursuant to the terms of the 2020 Notes Indenture.

The execution of the documentation for the October 2018 Amendment and the issue of the Additional 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 Additional Notes were issued on or about the date hereof 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 Additional Notes, subject to the terms of the Amended August 2018 GSI-Ecuador Repurchase Agreement. The Additional 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 Additional 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 Additional Notes or 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 Additional 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 Additional Notes and the Remaining August 2018 Additional Notes at issuance is taken into account in calculating the debt to GDP ratio, the debt to GDP ratio will be approximately 46.3%, under the aggregation methodology using the debt to GDP ratio information as of March 31, 2019 (which does not consider the Purchase Price, as defined above).

Following the date of this Supplement, the Republic, GSI and ICBC Standard Bank Plc intend to enter into an agreement pursuant to which a portion of GSI's interest in the Amended August 2018 GSI-Ecuador Repurchase Agreement will be transferred to ICBC Standard Bank Plc.

CS Repo Transaction

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 ("GMRA") published by the International Securities Market Association and also includes a negotiated annex (an "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.

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 debt to GDP ratio will be approximately 46.3%, under the aggregation methodology using the debt to GDP ratio information as of March 31, 2019.

Other obligations

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 Supplement, 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 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 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 of which U.S.$10 million remains to be amortized. As of May 2019, approximately 570,000 barrels of fuel oil with a permitted variation of 10% remain to be delivered under the contract until its termination in June 2019. 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.

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 Minister of 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 20 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 amount due 30 days from the date of execution of the agreement and the remaining 50% of the total 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.

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.

On April 1, 2017, Ecuador entered into a U.S.$75 million loan with the 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 the date of this Supplement, U.S.$64 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 Supplement, 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 *Fondo Internacional de Desarrollo Agrícola* (the "International Fund for Agricultural Development") to finance the *Proyecto Dinamizador de Alianzas Inclusivas en Cadenas de Valor* (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 14, 2018, the Municipality of Guayaquil entered into a U.S.$49 million loan with the CAF for a construction project. The loan has a term of 10 years, with a 30-month grace period, and is guaranteed by Ecuador.

On September 26, 2018, the Republic increased an existing financing agreement with Credit Suisse 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 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 the 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 milllon was disbursed to the Republic and on January 14, 2019 an additional amount of U.S.$225 million was disbursed to the Republic.

On March 12, 2019, the Republic entered into a U.S.$50 million loan facility with IDB, with a final amortization date of November 15, 2043, to finance a program aiming 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 10, 2019, the Republic entered into a U.S.$50 million loan facility with IDB, with a final amortization date of November 15, 2043, to finance a program aiming at increasing private participation in public investments in infrastructure and public services in 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 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.

The Republic and the CAF intend to enter into, in the days following this Supplement, 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.

PLAN OF DISTRIBUTION

The Republic will substitute and transfer the Additional Notes at the offering price set forth on the cover page of this Supplement outside the United States in reliance on Regulation S. The price at which the Additional Notes are issued may be changed at any time without notice.

The Additional Notes have not been and will not be registered under the Securities Act or any state securities law and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. With respect to the offer and sale of the Additional Notes by the Republic, no Additional Notes will be offered and sold in the United States or to U.S. persons. See "*Transfer Restrictions*" in the Offering Circular.

Although an application has been made to list the Additional Notes on the Official List of the Luxembourg Stock Exchange and to have the Additional Notes trade on the Euro MTF Market, the listing does not assure that a trading market for the Additional Notes will develop. No assurance can be given as to how liquid the trading market for the Additional Notes will be. The Republic cannot provide any assurances that the prices at which the Additional Notes will trade in the market after this offering will not be lower than the initial offering price or that an active trading market for the Additional Notes will develop and continue after this offering.

See sections "*Selling Restrictions*" in the Offering Circular.

No action has been taken by the Republic that would, or is intended to, permit a public offer of the Additional Notes in any country or jurisdiction where any such action for that purpose is required.

Accordingly, the Republic will not, directly or indirectly offer or sell any Additional Notes or distribute or publish any Offering Circular Supplement, this Supplement and the Offering Circular, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Additional Notes by it will be made on the same terms.

Notice to Ecuadorian Residents

The Additional Notes are not registered in the *Catastro Público del Mercado de Valores*, CPMV ("Securities Market Public Registry of Ecuador") subject to the control and supervision of the Superintendence of Companies, Securities and Insurance ("SCVS").

As unregistered securities, the Republic is not required to disclose public information about the Additional Notes in Ecuador. The Additional Notes may not be publicly offered in Ecuador unless they are registered in the CPMV.

This Supplement and other offering materials relating to the offer of the Additional Notes do not constitute a public offer of, or an invitation to subscribe for or purchase, the Additional Notes in the Republic of Ecuador, and the contents herein have not been approved by the SCVS.

VALIDITY OF THE ADDITIONAL NOTES

The validity of the Additional 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. 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.

In connection with the issuance of the Additional Notes, the Attorney General issued a "Pronouncement" in relation to the Additional Notes, which constitutes 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 Additional Notes, as well as the submission to arbitration provisions set out therein.

GENERAL INFORMATION

1. The Global Notes have been accepted for clearance and settlement through Euroclear and Clearstream, Luxembourg.

The common codes for the Regulation S Global Note and the Restricted Global Note with respect to the 2023 Notes are 162676873 and 162676865, respectively, and the International Securities Identification Numbers for the Regulation S Global Note and the Restricted Global Note are XS1626768730 and XS1626768656, respectively.

2. The Republic has obtained all necessary consents, approvals and authorizations in the Republic of Ecuador in connection with the issue and performance of the Additional Notes.

The issue of the original 2023 Notes was authorized by the Republic's Debt and Finance Committee under *Acta Resolutiva* No. 011 dated May 30, 2017.

The issue of the reopened 2023 Notes was authorized by the Republic's Debt and Finance Committee under *Acta Resolutiva* No. 0014 dated October 10, 2017.

The issue of the Additional Notes was 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

3. The Republic is involved in certain litigation and administrative arbitration proceedings. See "*Legal Proceedings*" in this Supplement.

4. On November 28, 2017, Moody's Investors Service affirmed the Republic's long-term Government bond ratings at "B3" with a "stable outlook." On September 30, 2017, Standard & Poor's Ratings Services affirmed the Republic's foreign long-term issuer rating at "B" with a "stable outlook." On June 29, 2017, Standard & Poor's Ratings Services 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 was affirmed at "B," but the rating outlook was revised from "stable" to "negative." On September 13, 2017, Fitch Ratings affirmed the Republic's long-term foreign currency issuer default rating at "B" with a "negative" rating outlook. On August 17, 2018, Fitch Ratings 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 Investors Service 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." *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 Additional Notes. Each rating should be evaluated independently of the others. Detailed explanations of the ratings may be obtained from the rating agencies.*

5. Application has been made to list the Additional Notes on the Official List of the Luxembourg Stock Exchange and to have the Additional Notes admitted to trading on the Euro MTF Market. So long as any of the Additional Notes are listed on the Luxembourg Stock Exchange, the Republic will maintain a paying agent in Luxembourg.

6. 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 in Luxembourg so long as any of the Additional Notes are listed on the Luxembourg Stock Exchange:

(a) the Indenture incorporating the forms of the respective Global Notes,

(b) this Supplement,

(c) the Offering Circular,

(d) copies of the 2008 Constitution, and the Legislative Decrees of the Republic referred to in paragraph 2 above (in Spanish), and

(e) copies of the Republic's consolidated public sector fiscal accounts for the last calendar year (as and when available in English).

7. Other than as disclosed herein, including information that has been updated as of May 29, 2019, and in the Offering Circular, 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 Additional Notes.

8. Save as disclosed in "*Legal Proceedings*" in this Supplement, 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 Additional Notes nor, as far as the Republic is aware, is any litigation pending or threatened.

Glossary of Defined Terms

1995 Settlement 88
2012 and 2030 Notes 160
2012 Notes 160
2015 Notes 160
2017 Election 10
2017 Equivalent Property 163
2017 Reopened Notes 162
2018 Budget 141
2018 Equivalent Property 165
2018 Reopened Notes 165
2019 Budget 141
2019 Draft Budget 141
2020 Notes 160
2023 Notes 1
2024 Notes 160
2026 Notes 161
2027 Notes 161
2028 Notes 162
2029 Notes 162
2030 Notes 160
Action Plan for the Strengthening of Public Finances 51
Additional Amount 166, 168
Additional Assets 163
Additional Notes 1
Advisory Council Executive Committee 27
AFD 146
AGD 91
Agency for the Quality Assurance of Agriculture of Ecuador 40
ALADI 42
ALBA 42
Albacora 95
Amended August 2018 GSI-Ecuador Repurchase Transaction 165
Annex 164, 167
Anticorruption Secretariat of the Presidency of the Republic 64
APM 92
Argus 145
Article 50 5
Article 50 Notice 5
ATP-DEA 42
August 2018 GSI Ecuador Repurchase Agreement 165
August 2018 GSI Ecuador Repurchase Transaction 165
August 2018 Repo Confirmation 165
Austerity Decree 28
Autonomous Decentralized Governments 47
BIESS 85
Bond Derivative Transaction 162
bpd 13, 68
Brady Bonds 159
Brady Plan 159
Brexit Vote 5
BSA 122
Business lending rate 126
CAF 24
CAIC 6
CAITISA 40
Canacol 69
Capital Markets Law 124
CCS 93
CELAC 37
Center for Arbitration and Mediation of Quito Chamber of Commerce 92
Center of Strategic Intelligence 32
Central Bank 7
Central Bank Certificates 114
Central Government 136
CEREPS 47
CETES 9
CFI 93
CFI-TRAINSAINER contract 93
CFN 117
CGR Audit Report 7
CGR CETES Report 9, 36
Chevron 71
Citizen Oversight Commission 7
Civil Procedure Code 54
Claro 77
Clearstream 2
CNE 10
CNT 32
Combined Dispute Board 93
Committee for Economic Regime 141
Committee for Securities Market Regulation 52
Committee on Foreign Trade 42, 106
Community of Andean Nations 42
Comprehensive Law of Redistribution of Income for Social Expenditures 52
CONSEP 42
Consolidation Decree 66
contingent liabilities 6, 18
contingent liability 8
Corporate lending rate 126
CPI 128
CRCC 75
CS 167
CS Equivalent Property 168
CS Reopened Notes 167

CS-Ecuador GMRA 167
Currency Outflow Tax 52
Debt 58, 164
Debt and Finance Committee 46
Decree 314 67
Decree 315 67
Decree 338 73
Decree 537 8
Decree 578 65
Decree 649 48
Decree 709 31
Decree 714 31
Decree 723 14
Deposit Guarantee Agency 91
Discount Notes 159
Ecuadorian Business Committee 10
Ecuadorian Development Bank 113
Ecuadorian Institute for Intellectual Property 90
Ecuadorian Space Institute 31
Ecuadorian Stock Exchanges 124
Education lending rate 126
EEA 2
Electoral Branch 33
Electoral Dispute Settlement Court 25
EMAPAG EP 147, 172
Employment Partner Network 83
Environmental Improvement and State Resources Optimization Law 52
Environmental Sanitation for Community Development Program 148
EPC Contract 93
ETAP 117
Eurobonds 160
Euroclear 2
Exclusion and Transfer of Assets and Liabilities 117
FAO 78
FARC 21
FCC 72
FEIREP 130
Finance Ministry 26
Financial and Economic Analysis Agency 64
Financial Safety Net Law 47
First Instance Courts 33
First Superior Court of the First Judicial District 94
Foreign Commerce and Investment Council 105
Forum for Latin America's Progress and Development 37
Further Notes 162
General Regulation to the Mining Law 48
Gente Oil 94
Global Notes i
GMRA 164, 167
Gold 162
Gold Derivative Transaction 162
Government 6
Government Counselor 26
GSI 162
GSI Loan Facility 162
GSI-Ecuador GMRA 164
Housing for All Project 28
Hutchison 92
IBRD 24, 147, 172
ICE 139
IE Notes 159
IEPI 90
Indenture 1
INDRA 97
Institute for the Promotion of Foreign Exports and Investments 31
Institute of Languages, Sciences and Ancestral Knowledge 30
Integral Organic Law to Prevent and Eradicate Violence Against Women 59
Intercultural Education Law 86
Internal Revenue Service 31
International Commission against Corruption 64
International Fund for Agricultural Development 171
intra-governmental debt 17, 151
Investigative Commission 11
ISSFA 85
ISSPOL 85
JCD 93
Judiciary Council 33
Labor Justice and Home Maker Recognition Law 54
Latin American Integration Association 106
Law 98-17 151
Law Creating the Del Río University-UDR 62
Law for Market Power Control and Regulation 51
Law for the Recovery of the Use of Oil Resources of the State and Administrative Rationalization of Indebtedness 47
Law for the Regulation of Housing and Automobile Loans 52
Law for the Remission of Interest, Penalties and Surcharges 54
Law of Solidarity 55
Law on Incentives for Public-Private Joint Ventures and Foreign Investment 54
Law on Tax Incentives 56
Law Reforming the Civil Aviation Law 60
Law Reforming the Financial Institutions Law and the Restructuring Financial Taxes Law 52
Law Reforming the Organic Law on Higher Education 60
Law Reforming the Social Security Law 60

Law Reorganizing Economic Matters in the Tax and Finance Areas 117
Law to Balance Public Finances 54
Law to Eliminate Money Laundering and the Financing of Crimes 55
Law to Eliminate Speculation on Land Values and Tax Fixing 57
Law to Reform the Organic Law of Public Service and Labor Code 57
Law to Regulate Companies that Finance Pre-paid Health Services and Health Insurance Companies 56
Law to Restructure Debt of Public Banks and Closed Banks 58
Law to Strengthen and Optimize the Corporate and Securities Sector 52
Law to Strengthen the Social Security System of the Armed Forces and National Police 56
Libertador-Atacapi 69
LIBOR 159
Liquidity Fund 116
Living Wage 82
Loan-loss Reserve 115
Locally Issued Notes 163
LOREYTF 47
LPG 72
Maximum Actual Credit Cost Law 125
Medium and small business lending rate 126
Merck 92
Meteorology and Hydrology Institute 31
Microcredit increased accumulation lending rate 126
Microcredit simple accumulation lending rate 126
Microcredit subsistence accumulation lending rate 126
MICSE 65
Military Geographic Institute 31
Mining Law 48
Ministry for the Coordination of Production, Employment and Competition 26
Ministry of Agriculture, Livestock, Aquaculture and Fishing 26
Ministry of Aquaculture and Fisheries 31
Ministry of Coordination and Economic Politics 26
Ministry of Coordination of Strategic Sectors 65
Ministry of Defense 31
Ministry of Economy and Finance 7, 26
Ministry of Education 30
Ministry of Education and Sports 30
Ministry of Electricity and Renewable Energy 30, 68
Ministry of Employment 32, 82
Ministry of Energy and Non-Renewable Natural Resources 31, 68, 71
Ministry of Foreign Trade and Investments 31
Ministry of Hydrocarbons 30, 65, 68
Ministry of Industries and Productivity 31
Ministry of Justice 31
Ministry of Justice, Human Rights and Religions 32
Ministry of Knowledge and Human Talent 26
Ministry of Mines 65
Ministry of Mining 30, 68
Ministry of Production, Foreign Trade and Investment 31
Ministry of Production, Foreign Trade, Investments and Fisheries 31
Ministry of Security 26
Ministry of Sport 30
Ministry of Strategic Sectors 26
Ministry of the Environment 31
Mixed Economy Pacific Refinery Company 96
mmscfd 74
Monetary and Financial Policy and Regulation Board 53
Movistar 77
Multiparty Trade Agreement 40
National Assembly 7
National Committee for Energy Efficiency 63
National Council for Citizen Participation and Social Control 28
National Council for Planning 26
National Council on Wages 51
National Counsel for the Control of Narcotics and Psychotropic Drugs 42
National Customs Service 31
National Decentralized System of Participative Planning 48
National Development Plan 14
National Electoral Council 10
National Environmental Authority 58
National Plan of Energy Efficiency 63
National Secretariat for Planning and Development 7
National Secretariat of Administration 26
National Secretariat of Communication 31
National Service for Public Procurement 64
National Service for Risk Management 31
National Service for the Integral Assistance to Adults Deprived of their Liberty and Young Offenders 32
National Services Commission 52
National System for Energy Efficiency 63
National Telecommunications Corporation 32
NCEE 63
Non-registered commerce 100
Notes 1
OAS 10

OCP 69, 94
October 2018 Amendment 165
October 2018 CS-Ecuador Repurchase Agreement 167
October 2018 CS-Ecuador Repurchase Transaction 167
October 2018 Repo Confirmation 167
OECD 39
Offering Circular 1
Office for Environmental Management 58
Office of the Comptroller General 7
Office of the Prosecutor General 8
Official Credit Institute of Spain 169
Old Notes 160
OPEC 13
OPEC Agreement 13
Ordinary commercial lending rate 126
ordinary consumer credits 127
Organic Administrative Code 58
Organic Code for the Environment 58
Organic Law for Intercultural Education 62
Organic Law for Productive Development 8, 60
Organic Law for Productive Development, Investment, Employment and Fiscal Stability 8
Organic Law for the Application of the Referendum 58
Organic Law for the Citizenship Security and Public Order Entities 58
Organic Law for the Institutionalization of the Live Arts Festival in Loja as a Place for the Gathering and Promotion of Ecuador's Cultural Expressions and Identity 62
Organic Law for the Integral Planning of the Special Amazon Territorial Circumscription 60
Organic Law for the National System of Road Infrastructure for Ground Transportation 58
Organic Law for the Optimization and Efficiency of Bureaucratic Procedures 61
Organic Law for the Reactivation of the Economy, Strengthening of Dollarization and Modernization of Financial Management 29, 59
Organic Law Interpreting the Ninth General Section of the Organic Law on Intercultural Education 62
Organic Law of Border Development 60
Organic Law of Electric Power Public Service 63
Organic Law of Energy Efficiency 63
Organic Law on Prevention and Punishment of Violence in Sports 63, 64
Organic Law Reforming the Organic Code of Production, Trade and Investment and the Organic Law of Solidarity 51, 62
Organic Law Reforming the Organic Law of Communication 62
Organic Law Reforming the Organic Law of the Council for Citizen Participation and Social Control 59
Organic Law Repealing the Organic Law to Eliminate Speculation on Land Values and Tax Fixing 59
Organic Law to Reform the Organic Law of Public Service 59
Organic Law to Reform the Organic Law of Public Service and the Labor Code to Prevent Labor Harassment 59
Original 2020 Issuance 160
Original 2022 Issuance 161
Original 2023 Issuance 161
Original 2026 Issuance 161
Original Notes 1
Other exports 100
OTI 71
Pacific Alliance 42
PAM 2019 Notes 161
PAM First Remarketing Notes 161
PAM Second Remarketing Notes 161
Par Notes 159
Pardaliservices S.A. 69
PDI Notes 159
Perenco 90
Petroamazonas 13
Petroecuador 8
Plan of Prosperity 14
PLANEE 63
priority consumer credits 127
Production Code 47
Program for Public Finance 123
PROPHAR, S.A. 92
PROSPECTUS DIRECTIVE 2
Prosur 37
Provincial Courts of Justice 33
PTT International 70
Public Companies Coordinator Company 14
Public Corporations Law 48
Public Defender 33
Public Planning and Finance Code 7, 49, 61, 155
Purchase Price 165, 167
Quito Stock Exchange 124
Reform Act to the Internal Tax Regime Law and the Reform Act for Tax Equity in Ecuador 47
Regional Payment Compensation Unitary System 107
Regulation S 2, i
Regulation S Global Note i

Regulation to the Organic Law for Productive Development 9
Republic” or “Ecuador 1
Repurchase Price 165, 168
Restricted Global Note i
Revitalizing Project of Inclusive Alliances in Value Chains 171
Revolutionary Armed Forces of Colombia 21
Rule 144A i
Schlumberger 69
Scientific-Technological and Fiscal Stability Social and Productive Reactivation Special Account 47
Second 2027 Notes 162
Secretariat for Human Rights 32
Secretariat for Internal Boundaries 31
Secretariat for Risk-Management 31
Secretariat for the National Development 26
Secretariat for Water 31
Secretariat of Communication of the Presidency 32
Secretariat of Hydrocarbons 30, 68
Secretariat of Intelligence 31
Secretariat of Sports 30
Securities Act 2
SENAE 106
SENPLADES 7
SEPS 124
Sertecpet 69
Shaya 69
Shushufindi 69
SNEE 63
SOTE 71
Special Audit 7
Special Consumer Good Tax 139
Stabilization, Social Investment and Public Indebtedness Reduction Fund 130
Substituted August 2018 Additional Notes 166
SUCRE 107
super 73, 129
Superintendency of Information and Communication 62
Superintendent of Banks 33
Superintendent of Companies, Securities and Insurance 124
Superintendent of the Popular Economy 124
Supplement 1
Swap Agreement 163
Tax Culture Day 139
Technical Secretariat for Affordable Housing, Development and Youth Employment 26
Technical Secretariat for Planning 32
Tecpetrol 69
Telecommunications Law 53
Temporary Merger Unit 14
Transitional Citizen Participation and Social Control Council 31
Transparency and Social Control Branch 33
Tribunal of Penal Safeguards of the Quitumbe Judicial Unit 25
Trustee 1
Twelfth Court of the Civil Circuit in the First Circuit of Panama 93
UDR 62
UNASUR 10
UNCITRAL Rules 61
VAT 23
Yachay 80

ISSUER

The Republic of Ecuador
Ministry of Economy and Finance
Av. Amazonas entre Pereira y Unión Nacional de Periodistas.
Plataforma Gubernamental de Gestión Financiera. Pisos 10 y 11.
Quito, Ecuador

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Ministerio de Economía y Finanzas
Av. Amazonas entre Pereira y Unión Nacional de Periodistas.
Plataforma Gubernamental de Gestión Financiera.
Pisos 10 y 11.
Quito, Ecuador

TRUSTEE AND REGISTRAR

The Bank of New York Mellon
240 Greenwich Street, Floor 7E
New York, New York 10286
United States
Attention: Corporate Trust – Global Americas

LONDON PAYING AGENT AND ACCOUNT BANK

The Bank of New York Mellon, London Branch
One Canada Square, 40th Floor
London E14 5AL
United Kingdom

LUXEMBOURG LISTING AND PAYING AGENT

The Bank of New York Mellon SA/NV, Luxembourg Branch
Vertigo Building – Polaris
2-4 rue Eugène Ruppert
L-2453
Luxembourg

Investors should rely only on the information contained in the Offering Circular and this Supplement or to which the Republic of Ecuador has referred investors. Ecuador has not authorized anyone to provide information that is different from the information contained in the Offering Circular and this Supplement. This Supplement and the Offering Circular may only be used where it is legal to sell these Additional Notes. The information in this Supplement may only be accurate on the date of this Supplement.

The Republic of Ecuador

U.S.$688,268,000
8.750% Notes due 2023

Offering Circular Supplement

May 31, 2019

APPENDIX B:
Original Offering Circular dated December 13, 2016, and its supplements dated January 13, 2017 and October 11, 2017, with respect to the 2026 Notes.

OFFERING CIRCULAR

The Republic of Ecuador

U.S.$750,000,000

9.650% Notes due 2026

The Republic of Ecuador (the "Republic" or "Ecuador") is offering U.S.$750,000,000 aggregate principal amount of its 9.650% Notes due 2026 (the "Notes"). Interest on the Notes will be payable semi-annually in arrears on June 13 and December 13 of each year commencing June 13, 2017. The Notes will mature on December 13, 2026.

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 Notes and other non-reserved matters with the consent of the holders of 66⅔% 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, as more fully described in "Description of the Notes – Modifications – Collective Action."

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 constitutes a prospectus for the purpose of the Luxembourg Law dated July 10, 2005 on prospectuses for securities, as amended. 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 23 regarding certain risk factors you should consider before investing in the Notes.

Price: 100.000%

plus accrued interest, if any, from December 13, 2016

Delivery of the Notes will be made on or about December 13, 2016.

The Notes have not been and will not 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. You 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.

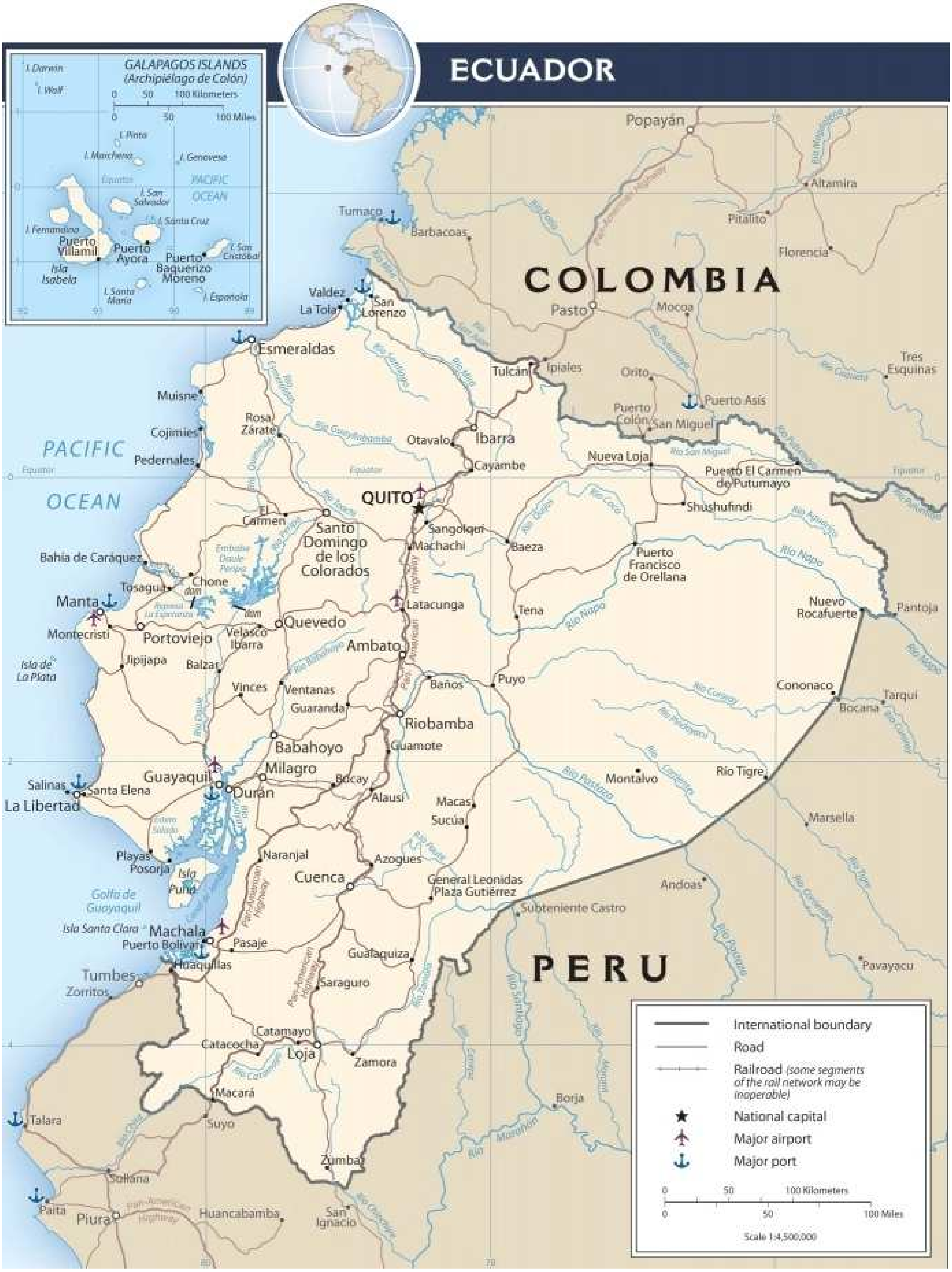
The Notes will be represented by one or more permanent global notes in fully registered form without interest coupons, deposited with a common depositary for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"). Beneficial interests of Euroclear participants 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."

ANY OFFER OR SALE OF NOTES IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (THE "EEA") THAT HAS IMPLEMENTED DIRECTIVE 2003/71 EC (THE "PROSPECTUS DIRECTIVE") MUST BE ADDRESSED TO QUALIFIED INVESTORS (AS DEFINED IN THE PROSPECTUS DIRECTIVE).

Lead Manager and Global Coordinator

Citigroup

The date of this Offering Circular is December 13, 2016.


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
COLOMBIA
PERU
PACIFIC
OCEAN
Popayán
Altamira
Pitalito
Florencia
Tumaco
Barbacoas
Pasto
Mocoa
Valdez
La Tola
San Lorenzo
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
Embalse Daule-Peripa
Chone
Tosagua
Manta
Montecristi
Portoviejo
Velasco Ibarra
Quevedo
Latacunga
Tena
Nuevo Rocafuerte
Pantoja
Ambato
Isla de La Plata
Jipijapa
Balzar
Vinces
Ventanas
Baños
Puyo
Guaranda
Riobamba
Cononaco
Bocana
Tarqui
Babahoyo
Guamote
Salinas
Santa Elena
La Libertad
Guayaquil
Durán
Milagro
Bucay
Alausí
Macas
Sucúa
Montalvo
Río Tigre
Marsella
Playas
Posorja
Isla Puná
Naranjal
Azogues
Cuenca
General Leonidas Plaza Gutiérrez
Andoas
Golfo de Guayaquil
Subteniente Castro
Isla Santa Clara
Machala
Puerto Bolívar
Pasaje
Gualaquiza
Huaquillas
Tumbes
Zorritos
Saraguro
Pavayacu
Catamayo
Catacocha
Loja
Zamora
Macará
Borja
Talara
Suyo
Zumba
Sullana
Paita
Piura
Huancabamba
San Ignacio
Pan-American Highway
Río Napo
Río Pastaza
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 AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND THE RISKS INVOLVED.

You should rely only on the information contained in this Offering Circular or to which the Republic of Ecuador has referred you. Ecuador has not, and the Lead Manager has not, authorized anyone to provide you with 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

PRESENTATION OF INFORMATION v
FORWARD-LOOKING STATEMENTS v
ARBITRATION AND ENFORCEABILITY vii
EXCHANGE RATE INFORMATION x
OFFERING CIRCULAR SUMMARY AND RECENT DEVELOPMENTS 1
THE OFFERING 15
RISK FACTORS 24
Risk Factors Relating to the Notes 24
Risk Factors Relating to Ecuador 26
USE OF PROCEEDS 35
THE REPUBLIC OF ECUADOR 36
Territory, Population and Society 36
Historical Background 38
Form of Government 39
Memberships in International Organizations and International Relations 41
THE ECUADORIAN ECONOMY 43
Gross Domestic Product 43
Economic and Social Policies 45
Strategic Sectors of the Economy 53
Other Sectors of the Economy 64
LEGAL PROCEEDINGS 72
BALANCE OF PAYMENTS AND FOREIGN TRADE 78
Balance of Payments 78
Current Account 82
Capital and Financial Account 83
Foreign Trade 84
Regional Integration 86
Foreign Direct Investment 90
MONETARY SYSTEM 92
The Central Bank 92
Financial Sector 93
Banking System 98
Banking Sector 101

Cooperative Banks 102
Capital Markets 103
Interest Rates and Money Supply 103
Inflation 106
PUBLIC SECTOR FINANCES 108
Overview 108
Non-Financial Public Sector Revenues and Expenditures 111
Central Government Revenues and Expenditures 112
Taxation and Customs 114
Foreign Aid 116
Central Government Expenditures 116
2015, 2016, and 2017 Budgets 116
PUBLIC DEBT 118
General 118
External Debt 119
Internal Debt 122
Debt Obligations 124
DESCRIPTION OF THE NOTES 128
SUBSCRIPTION AND SALE 144
BOOK-ENTRY SETTLEMENT AND CLEARANCE 150
Global Notes 150
Exchanges between the Global Notes 150
Book-Entry Procedures for the Global Notes 151
Certificated Notes 152
TRANSFER RESTRICTIONS 153
TAXATION 156
Ecuador Taxation 156
VALIDITY OF THE NOTES 160
GENERAL INFORMATION 161

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 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. 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 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 a common depositary for, and registered in the nominee name of a common depositary for Euroclear Bank S.A./N.V. ("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" and "Subscription and Sale."

The Republic has taken reasonable care to ensure that the information contained in this Offering Circular 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.

This Offering Circular does not constitute an offer by, or an invitation by or on behalf of, the Republic or the Lead Manager 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 Lead Manager to inform themselves about and to observe any such restrictions. See "Subscription and Sale" and "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 purchaser of Notes sold outside the United States in reliance on Regulation S will be deemed to have represented that it is not purchasing Notes with a view to distribution thereof in the United States.

Each person purchasing Notes pursuant to Rule 144A will be deemed to:

- represent that it is purchasing 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 purchasing Notes pursuant to Rule 144A 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 the preliminary and final offering circulars supersede any other information or presentation regarding the Republic;

- it has not relied on the Lead Manager or any person affiliated with the Lead Manager in connection with its investigation of the accuracy of the information contained in this Offering Circular or its investment decision; and

- 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 Lead Manager.

IN CONNECTION WITH THIS ISSUANCE OF NOTES, THE LEAD MANAGER 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 National Assembly 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 “Offering Circular Summary and Recent Developments,” “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 (defined herein);
- damage to and volatility in the international capital markets for emerging markets issuers caused by economic conditions in other emerging markets 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 credit rating of the Republic;
- the impact of changes in the international price of commodities;
- 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 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), which allow 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:

(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 Rules of the London Court of International Arbitration ("LCIA") ("LCIA Rules") as at present in force as modified by the Indenture, in which LCIA Rules are deemed to be incorporated by reference. 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 contained in 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, 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 (10) 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 Rules of the LCIA 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 defence 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 (defined herein);

(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 after an homologation process before a Provincial Civil Court of Justice, without re-examination of the issues, provided that it complies with the requirements established in the treaty between Ecuador and the country in which such award 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.

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, 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 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.

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.

OFFERING CIRCULAR SUMMARY AND RECENT DEVELOPMENTS

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.

In 2006, current president Rafael Correa was elected with 56.67% of the vote. Prior to President Correa taking office, protests in Quito contributed to the mid-term ouster of three of Ecuador's last four democratically elected Presidents. President Correa was re-elected in general elections held in February 2013 with 57.17% of the vote. Ecuador is scheduled to have presidential elections in February 2017 (the "2017 Election").

On June 26, 2014, the President of the National Assembly submitted a request to the Constitutional Court soliciting their opinion as to whether certain proposals, including one that would allow for re-election of the President of Ecuador for an indefinite number of terms, were constitutional amendments or constitutional reforms. Constitutional amendments require only the approval of two-thirds of the National Assembly while constitutional reforms require both the approval of a two-thirds vote in the National Assembly and a majority of the population eligible to vote in a popular referendum. On November 1, 2014, the Constitutional Court ruled that the proposals were constitutional amendments and therefore did not require a popular referendum. In December 2015, the National Assembly approved the proposals, including an amendment allowing for the indefinite re-election of the president. However, a transitional provision was included stating that the amendment will not be effective before May 24, 2017, and thus it will not apply to President Correa, whose term finishes on May 23, 2017.

On April 13, 2016, a request soliciting the Constitutional Court's opinion on the feasibility of a referendum to eliminate such a transitional provision was accepted. The Constitutional Court held that pursuant to Article 441 of the 2008 Constitution, in order for the referendum to take place, certain formal requirements must be met including a petition signed by at least 8% of the citizens registered in the electoral roll. The April 13, 2016 decision of the Constitutional Court did not specify a time limit for the referendum to be held.

Upon taking office, President Correa believed that significant reforms were necessary to rectify years of corruption, especially in regards to economic and financial matters. To do so, President Correa called for a referendum to write a new constitution, which was approved by the electorate and the National Assembly (the "2008 Constitution"). The 2008 Constitution provided the foundation for the economic and financial reform initiatives of the Correa administration. These reforms were consistent with the Correa administration's objective to promote economic growth, while reducing poverty and inequality and fostering social progress.

On April 16, 2016, a 7.8 magnitude earthquake struck the northern coast of Ecuador, (the "Pedernales Earthquake"). The Pedernales Earthquake and its aftershocks, caused severe damage to Ecuador's infrastructure in that region, including its roads and ports. An evaluation conducted by SENPLADES, INEC and various ministries estimates that the cost of reconstructing the infrastructure damaged by the Pedernales Earthquake is approximately U.S.$3.3 billion (approximately 2-3% of Ecuador's GDP), and that, without taking into account the cost of reconstruction, damage from the earthquake will have an impact of -0.7% on the growth of Ecuador's GDP in 2016, and 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, President Correa empowered the Ministry of 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 by 2 percentage points (from 12% to 14%) for one year, 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);

- 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 contribution of a day's salary for one month for those earning more than U.S.$1,000 a month; a one-time contribution of a day's salary for two months for those earning more than U.S.$2,000 a month, and similarly until a limit of a one-time contribution of one day's salary for 5 months for those earning more than U.S.$5,000 a month.

President Correa also indicated that Ecuador would draw from existing contingent credit lines, including a U.S.$150 million credit line with the World Bank, a U.S.$300 million credit line with Inter-American Development Bank ("IDB"), and a U.S.$66 million with CAF, and would explore the possibility of selling certain assets of the Republic, including the Sopladora 487 MW hydroelectric plant, Banco del Pacífico S.A., the *Corporación Nacional de Telecomunicaciones*, and other state owned utilities. Additionally, on July 8, 2016, the International Monetary Fund (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.

On August 16, 2016, the Minister of Finance, Fausto Herrera, stated that the three sources of financing being used to address relief and restoration efforts in relation to the Pedernales Earthquake include the General State Budget, proceeds from the Law of Solidarity and contingent lines of credit. Minister Herrera stated that as of August 15, 2016, U.S.$888 million had been allocated for relief and restoration efforts in relation to the Pedernales Earthquake.

In 2006, Chevron brought arbitration proceedings against the Republic under the arbitration rules of the UNCITRAL alleging the Republic's breach of certain "denial of justice" provisions under the U.S.-Ecuador Bilateral Investment Treaty. In August 2011, the arbitral tribunal established that Ecuador had breached that treaty and should pay Chevron U.S.$96 million plus compound interest calculated from September 1, 2011 until the date of payment. The District Court of the District of Columbia (Washington, DC) confirmed the award in favor of Chevron, and the United States Court of Appeals for the District of Columbia Circuit affirmed the District Court's decision. Accordingly, the arbitral award granted to Chevron was 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.

The Ecuadorian Economy

The U.S. dollar is the legal tender in Ecuador. In each of the five years from 2011 through 2015 the Ecuadorian economy registered positive rates of growth, in real terms. In 2015 the economy of Ecuador grew by 0.2% in real terms, compared to 7.9%, 5.6%, 4.9%, 4.0% for 2011, 2012, 2013, and 2014, respectively. 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. In the first six months of 2016, GDP decreased by 3.1% in real terms, when compared to the first six months of 2015. This decrease is mainly due to decreased revenues resulting from the decline in the price of oil. From 2011 to 2015, the Ecuadorian economy grew from a nominal gross domestic product ("GDP") of U.S.$79,277 million in 2011 to U.S.$100,177 million in 2015. During the same five-year period, GDP per capita grew from U.S.$5,193 in 2011 to U.S.$6,154 in 2015.

Inflation declined from 5.4% in 2011 to 3.4% in 2015. For the twelve-month period ended November 30, 2016, the inflation rate was 1.1%, compared to 3.4% for the twelve-month period ended November 30, 2015. The rate of unemployment decreased from 4.2% in 2011 to 3.8% in 2014 due to increased job creation in the services and commerce industries. 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. The rate of unemployment increased to 5.2% as of September 30, 2016 due to a continued slowdown of the economy.

In 2015, manufacturing was the largest sector of the economy measured by percentage of GDP (13.57%), followed by construction (10.70%), trade (10.48%), community services (8.66%) and agriculture (8.44%). In the first six months of 2015, manufacturing, construction, trade, community services and agriculture were also the largest sectors of the economy measured by percentage of GDP, respectively accounting for 13.78%, 10.89%, 10.64%, 8.52% and 8.34% of GDP. In the first six months of 2016, manufacturing, trade, construction, community services and agriculture continued to be the largest sectors of the economy measured by percentage of GDP, accounting for 14.06%, 10.16%, 9.92%, 9.00%, and 8.57%, respectively.

Oil field crude production, including that of private and state-owned companies, reached 198.2 million barrels in 2015, an amount that represented a 2.4% decrease from the 203.1 million barrels produced in 2014 (and a decrease of 2.4% in barrels per day ("bpd")). This decrease was principally due to the Government's decision to decrease production activity in 2015 in order to reduce investment costs and reduce the overall budget for the year. Despite the decrease in production in 2015, the Republic expects production to increase significantly through the development and inauguration of new fields, particularly the Ishpingo-Tambococha-Tiputini ("ITT") field in Yasuni National Park, which began extraction in September 2016. Oil field crude production, including that of private and state-owned companies, reached 150.3 million barrels in the first nine months of 2016, representing a 0.9% increase from the 149.0 million barrels produced in the first nine months of 2015 (and an increase of 0.5% in barrels per day ("bpd")).

Crude oil exports as measured in U.S. dollars steadily increased from 2011 to 2013. Ecuador's crude oil exports totaled U.S.$13,016 million in 2014, a 3.0% decrease from U.S.$13,412 million in 2013. Crude oil exports in 2015 totaled U.S.$6,355 million, a 51.2% decrease from U.S.$13,016 million in 2014. Both decreases were due to the decline in the price of oil beginning in late 2014 and continuing through 2015. In the first nine months of 2016, crude oil exports totaled U.S.$3,545 million, a 32.4% decrease from U.S.$5,241 million in the first nine months of 2015.

The Republic considers the following four sectors to be the most important strategic sectors of the economy: water, telecommunications, natural resources, and electricity. During the period from 2011 through 2014, the total Government investment in these four strategic sectors has increased from U.S.$3,617 million in 2011 to U.S.$7,034 million in 2014. The U.S.$5,621 million investment in 2015 is a decrease from the U.S.$7,034 million investment in 2014 resulting from the Government's decision to reduce investment in the oil sector in 2015 as a result of expected lower revenues from oil sales.

The Government has targeted the electricity sector for significant capital investment. In 2015, the Government invested U.S.$1,566 million in the electricity sector, a 43% increase from 2011, when the Government invested U.S.$1,094 million in the sector. As of 2014, hydroelectric plants supplied 46% of the power in Ecuador. By year-end 2016, the Government predicts that hydroelectric plants will generate 93% of the power in Ecuador. Ecuador's objective in developing hydroelectric power is to reduce its consumption of oil through oil-based generators, thereby decreasing oil imports and electric energy imports and improving energy independence.

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 *Unidad de Análisis Financiero y Económico* (the "Financial and

Economic Analysis Unit"), the Government entity responsible for compiling information and producing reports relating to money laundering.

On August 22, 2016, President Correa signed a decree effectuating the merger of Ecuador's Public TV and Radio Company ("E.P. RTVEcuador") with the state owned newspaper, El Telégrafo, to form the *Empresa Pública de Medios Públicos de Comunicación del Ecuador–Medios Públicos EP* (the "Public Media and Communications Company of Ecuador"). This consolidation decree was issued for the purpose of eliminating duplicative functions of media entities.

On October 12, 2016, the *Ley Orgánica de Incentivos Tributarios para Varios Sectores Productivos e Interpretativa del Articulo 547 del Código Orgánico de Organización Territorial, Autonomía y Descentralización* (the "Law on Tax Incentives") was published and became effective. The Law on Tax Incentives is intended to encourage productivity by extending tax incentives to additional sectors of the economy. The law establishes income tax deductions for micro, small and medium sized businesses that provide private health insurance to their employees and income tax deductions for public and commercial transport operators equal to the value of the vehicles owned by such operators.

On October 17, 2016, the *Ley Orgánica que Regula a las Compañías que Financien Servicios de Atención Integral de Salud Prepagada y a las de Seguros que Oferten Cobertura de Seguros de Asistencia Médica* (the "Law to Regulate Companies that Finance Pre-paid Health Services and Health Insurance Companies") was published and became effective. The law is intended to regulate health service companies and health insurance companies and to provide clear legal requisites for the establishment and operation of such entities.

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 December 1, 2016, President Correa submitted for the National Assembly's approval, the *Ley Orgánica para evitar la Especulación sobre el valor de las tierras y fijación de tributos* as an urgent economic measure. If approved, this bill that would increase the tax on capital gains obtained from the sale of real estate from 10% to up to 75%. The National Assembly has 30 days from the time of submission to approve this law.

Balance of Payments and Foreign Trade

Between 2011 and 2015, Ecuador experienced fluctuations between balance of payment deficits and surpluses. While there were surpluses in 2011 and 2013, there were deficits in 2012, 2014 and 2015. The increasing price of petroleum contributed to the U.S.$272 million surplus in the balance of payments in 2011. In 2012, an increase in Government investment contributed to a deficit of U.S.$581.9 million. In 2013, an improvement in the financial account that was the result of an increase in bilateral debt and corresponding loan disbursements contributed to a balance of payments surplus of U.S.$1,845.9 million. However, the current account deficit of U.S.$930.5 million registered in 2013 represents a decrease compared to the U.S.$165.3 million current account deficit registered in 2012. This deficit is the result of an increase in imports, particularly with respect to imported capital goods and raw materials.

In 2014, Ecuador experienced a balance of payment deficit of U.S.$424.5 million as a result of a decrease in the capital and financial account, which decreased from U.S.$2,917.9 million in 2013 to U.S.$326.8 million in 2014 as a result of a decrease in investment for the year. However, the current account improved from a deficit of U.S.$926.6 million in 2013 to a deficit of U.S.$525.6 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 2014. This improvement resulted from 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.$526.7 million in 2014 to a deficit of U.S.$2,122.2 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, which resulted mainly from a decline in the price of oil. In the second quarter of 2016, there was a balance of payment surplus of U.S.$854.5 million, a decrease of U.S$210.2 million compared to the U.S.$1,064.7 million balance of payment surplus for the second quarter of 2015.

In Ecuador, total direct foreign investment has increased over the five-year period from 2011 through 2015, from U.S.$643.7 million in 2011 to U.S.$1,321.4 million in 2015. This increase was due to continuing investment in Ecuador’s infrastructure, in particular, its electricity and water sectors. In the second quarter of 2016, direct investment totaled U.S.$206.1 million, a decrease compared to the U.S.$279.2 million total for the second quarter of 2015.

In 2015, overall exports decreased 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%), though there were also decreases in shrimp exports (9.3%) and exports of tuna and other fish (17.8%). The decrease in crude oil exports reflected the decrease in the price of crude oil in 2015. Overall exports for the first nine months of 2016 totaled U.S. $12,160 million, a decrease of 14.6% from the U.S.$14,243 million for the first nine months of 2015 due to the decline in the price of oil.

Although the levels of imports increased from 2011 to 2015, the rate of increase has declined over this five-year period due to the Republic’s promotion of domestic production. In 2011, imports increased by 19.1% compared to the previous year, while the rate of increase declined to 4.3% in 2012, increased slightly to 6.1% in 2013 and declined to 2.6% in 2014. In 2015, imports totaled U.S.$21,518 million, compared to U.S.$27,726 million for 2014 registering the first decrease in the levels of imports in the past 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 the first nine months of 2016, imports totaled U.S.$11,745 million, as compared to the U.S.$16,791 million for the first nine months of 2015, a 30.1% decrease mainly as a result of a decrease in demand.

Monetary System

Since taking office the Government of President Correa has prioritized the stabilization of the monetary system and promoted the safety of the financial system. As of December 31, 2015, the Ecuadorian banking system had a total of 22 banking institutions, of which one was a foreign-owned bank and one was a state-owned bank.

Banking deposits, primarily composed of demand deposits and time deposits, constitute the principal source of financing for the banking system. From December 31, 2011 through December 31, 2014, total time and demand deposits increased 44.8%, from U.S.$18,557.9 million to U.S.$26,874.5 million. As of December 31, 2015, time and demand deposits totaled U.S.$23,291.1 million, a decrease of 13.3% compared to December 31, 2014. This decrease is due to a decrease in the availability of credit for the year. As of October 31, 2016, total time and demand deposits increased to U.S.$27,100 million, an increase of 11.4% compared to October 31, 2015. This increase was due to the recovery in oil prices and foreign investment which have increased liquidity and resulted in an increase in savings deposits and cash deposits.

Total assets of the banking system increased from U.S.$23.9 billion in 2011 to U.S.$33.6 billion in 2014. As of December 31, 2015, total assets for the banking system totaled U.S.$30.9 billion, a decrease of 8% since December 31, 2014. This decrease in total assets is due to the decrease in time and demand deposits in 2015. Total assets of the banking system increased from U.S.$30.9 billion as of October 31, 2015 to U.S.$34.0 billion as of October 31, 2016, an increase of 10%. This increase was principally due to the increase of reserves in the Central Bank and growth in liquidity throughout 2016.

With respect to the various sectors, most loan interest rates remained stable during the period from 2011 through 2014 with the corporate lending interest rate remaining at 8.2%, and consumer lending rates remaining at approximately 15.9% from 2011 to 2013 and increasing slightly to 16.0% in 2014. In 2015, the Committee of Monetary and Financial Policy Regulation established new categories of credits in the financial sector and fixed the maximum interest rates for these categories. Following this change in categorization, in 2015 the key corporate lending interest rates increased above the corporate lending interest rate in 2014, from 9.1% to 9.2%. In 2015, the priority consumer lending interest rate remained in line with the general consumer lending interest rate available in 2014 at 16.0%, and the ordinary consumer lending interest rate increased above this rate to 16.2%. For more information regarding changes to categories of interest rates, see "Monetary System – Interest Rates and Money Supply."

Average loan interest rates on short-term and long-term loans increased from 8.2% in 2011 to 9.1% in 2015 primarily due to the effect of the rise in interest rates by the United States Federal Reserve. During the same period, the average interest rates on deposits increased from 4.5% in 2011 to 5.1% in 2015 due to the increase in demand deposits with high interest rates.

From 2011 to 2015, the banking system's delinquency rate varied and past-due loans represented 2.2%, 2.8%, 2.6%, 2.9%, and 3.7% of the total loan portfolio, respectively. The delinquency rate increased to 2.8% in 2012 as a result of an increase in consumer past-due loans which increased from U.S.$175 million in 2011 to U.S.$293 million in 2012. However, the rate decreased to 2.6% in 2013 due to a reduction in past-due loans of the commercial sector, which decreased to U.S.$284 million. In 2014, the delinquency rate increased to 2.9%, 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. As of October 31, 2016, the delinquency rate increased to 4.3% despite increased liquidity because the increased liquidity has not yet resulted in a corresponding growth in the loan portfolio and accordingly has not yet led to a growth in non-delinquent loans which growth would decrease the overall delinquency rate.

In September 2014, the National Assembly enacted the *Codigo 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 *Junta de Politica y Regulación Monetaria y Financiera* (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 Finance, *Ministerio de Industrias y Productividad* (the "Ministry of Production and Industrialization"), *Ministerio Coordinador de Politica Economica* (the "Ministry of Economic Policy"), office of the National Secretary of Planning and Development, 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 (defined herein) regarding their budget, purpose, and 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 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 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 operations. According to the Central Bank, as of May 2016, approximately U.S.$1 million was in circulation in Ecuador in electronic currency. The law further establishes 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 issued various laws, 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 April 29, 2016, the *Ley Orgánica para el Equilibrio de las Finanzas Públicas* ("Law to Balance Public Finances") was published with the purpose of strengthening dollarization, correcting abuses in tax benefits and redistributions and generating a change in Ecuadorian eating habits. According to a March 19, 2016 announcement by 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 or 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.

On July 8, 2016, the Executive Board of the IMF concluded its annual Article IV consultation with Ecuador. The consultation took place in Washington D.C. through discussions with officials, and via video and telephone conferences with individuals in the public and private sector in Ecuador. According the website of the IMF, Ecuadorian authorities need more time to consider the publication of the IMF report and the related press release.

On November 24, 2016, the Monetary and Financial Policy and Regulation Board (*Junta de Política y Regulación Monetaria y Financiera*) issued Resolution No. 273-2016-F, which increases from 2% to 5% the reserves that financial institutions with more than U.S.$1 billion in assets are required to hold at the Central Bank. This resolution is expected to reduce the liquidity of these financial institutions' Central Bank deposits by approximately U.S.$750 million.

Public Sector Finances

For the five-year period from 2011 to 2015, the amount of total revenues totaled approximately 89% of the budgeted targeted amount. During the five-year period from 2011 through 2015, the Central Government budget deficit as a percentage of GDP increased from 1.6% in 2011 to 3.8% in 2015. During the same five-year period, the budget deficit for the non-financial public sector increased from 0.1% in 2011 to 5.1% in 2015. The increases in the deficit from 2011 to 2013 were due to increased infrastructure spending. The increases in the deficit in 2014 and 2015 were due to an increase in wages and salaries and lower petroleum revenues for both years. However, the decrease in the deficit from 2014 to 2015 was the result of budget adjustments undertaken by Ecuador's Ministry of

Finance (outlined below). Total expenditures for the non-financial public sector totaled U.S.$38,676 million (equivalent to 39.0% of GDP) and total revenues totaled U.S.$33,586 million (equivalent to 33.9% of GDP).

Total revenues of the Central Government for the first nine months of 2016 were U.S.$13,822 million, while total expenditures were U.S$16,043 million. This results in a deficit of U.S.$2,221 million for the first nine months of 2016, an increase compared to the deficit of U.S.$892 million for the first nine months of 2015. This increase in the deficit is primarily due to decreased petroleum revenue.

In the first nine months of 2016, the non-financial public sector registered a deficit of U.S.$3,330 million compared to a deficit U.S.$618 million in the first nine months of 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 the first nine months of 2016, total revenues for the non-financial public sector totaled U.S.$21,798 million, a decrease from U.S.$26,524 million in the first nine months of 2015. In the first nine months of 2016, total expenditures for the non-financial public sector totaled U.S.$25,128 million, a decrease compared to U.S.$27,142 in the first nine months of 2015.

On October 31, 2015, the executive branch presented the 2016 draft budget to the National Assembly which proposed a budget of U.S.$29.8 billion for the year, a 17.9% decrease from the U.S.$36.3 billion originally proposed for the 2015 budget and a 12.4% decrease from the U.S.$34.1 billion adjusted budget for 2015. It assumes an average crude oil price of U.S.$35.00 per barrel, which represents a 56% decrease from the U.S.$79.70 per barrel assumption of the original 2015 budget. The draft budget also estimates that there will be a budget deficit equivalent to 2.4% of GDP and a GDP growth of 1%. Excluding financing, the initial draft budget provides for U.S.$25.7 billion in expenses, comprised of U.S.$8.8 billion in salaries and wages, U.S.$4.7 billion in consumer goods and services, U.S.$3.4 billion in capital transfers and donations, U.S.$4.4 billion in other investment expenses and U.S.$4.5 billion in other expenses. Total revenues under the draft budget are U.S.$23.2 billion, including U.S.$17.3 billion in taxes, rates and contributions, U.S.$4.8 billion in current transfers and donations and U.S.$1.2 billion in other revenues. The draft budget, as presented, was approved by the National Assembly on November 24, 2015 and became effective on January 1, 2016.

From time to time, the Ministry of Finance revises and adjusts the sources and uses of funds initially provided for in the draft budget. On March 3, 2016, the Minister of Finance announced that the 2016 Budget would be adjusted by approximately U.S.$800 million. The Minister specified that approximately U.S.$400 million would be reduced from investment and current expenses and that there would also be reductions to the budgets of the Autonomous Decentralized Governments. As of the date of this Offering Circular, the Ministry of Finance has made reductions in their estimates of revenue forecasts for non-petroleum revenue by U.S.$780 million, income tax by U.S.$507 million, value added tax by U.S.$818 million, and the Currency Outflow Tax by U.S.$209 million as compared to the original 2016 Budget revenue forecasts. In addition, while making reductions to permanent expenses by U.S.$203 million and wages and salaries by U.S.$284 million, the Ministry of Finance has increased its projected expenses for the provision of goods and services by U.S.$137 million and other non-permanent costs by U.S.$965 million, both as compared to the original 2016 Budget revenue forecasts. The Ministry of Finance has also increased its estimated projection for financing needs from U.S.$6,602 million to approximately U.S.$12,878 million. These adjustments are expected to increase the deficit by approximately U.S.$982 million.

Pursuant to Article 295 of the 2008 Constitution, during a presidential election year, the national budget is to be presented for National Assembly approval within the first 90 days of the term of the next president. Accordingly, the 2017 budget ("2017 Budget") will be presented for National Assembly approval within the first 90 days of the term of the next president, which is scheduled to begin on May 24, 2017. In the interim period, Article 107 of the Public Planning and Finance Code provides that the total amount of the budget for the preceding year, which in this case is the 2016 Budget, as initially approved by the National Assembly, will be used as the working budget for 2017 until the 2017 Budget is approved. Article 118 of the Public Planning and Finance Code grants the Ministry of Finance the authority to modify any approved budget in an amount up to 15% of any approved allocation. The Ministry of Finance will have the authority to modify the 2016 Budget while it is being used as the working budget for 2017 and until the 2017 Budget is approved.

Public Debt

Total public external debt increased from U.S.$10.06 billion in 2011, which represented 12.7% of GDP, to U.S.$20.23 billion in 2015, which represented 20.2% of GDP. This increase in debt was primarily due to increased debt from bilateral lenders. The total public external debt grew to U.S.$22.6 billion by June 30, 2016. This increase is primarily due to a credit line facility with a consortium of banks led by Industrial and Commercial Bank of China Limited, the Export-Import Bank of China ("China Exim Bank"), and China Minsheng Banking Corp, described below.

Total public internal debt decreased from U.S.$13,186.8 million in August 2016 to U.S.$12,533.0 million in October 2016. This decrease of U.S.$831.8 million was primarily due to an exchange offer of long-term government bonds held by the Central Bank. The Ministry of Finance exchanged U.S.$778.99 million of the Central Bank's government bonds for U.S.$780.07 million short-term treasury notes (CETES) issued by the Ministry of Finance which have a term of less than one year. Under Ecuadorian law, CETES are not considered public debt obligations because they have a term shorter than 360 days, although there is no limit to the number of times that they can be renewed. As a result of the exchange, the Ecuadorian government can issue additional domestic long term bonds (up to the amount exchanged of U.S.$778.99 million) in order to finance projects. For more information regarding CETES, see "The Ecuadorian Economy – Economic and Social Policies– Public Planning and Finance Code."

As of December 31, 2014, the top three bilateral lenders to Ecuador were China, Brazil and Spain, with debt levels of U.S.$5,074.4 million (63.7% of the total bilateral debt), U.S.$302.8 million (3.8% of the total bilateral debt) and U.S.$158.1 million (1.9% of the total bilateral debt) respectively. As of December 31, 2015, the top three bilateral lenders to Ecuador continued to be China, Brazil and Spain, with debt levels of U.S.$5,295.4 million (85.4% of the total bilateral debt), U.S.$295.5 million (4.5% of the total bilateral debt) and U.S.$140.6 million (2.2% of the total bilateral debt) respectively. As of September 30, 2015, the top three bilateral lenders to Ecuador were China, Brazil and Spain, with debt levels of U.S.$5,206.4 million (86.60% of the total bilateral debt), U.S.$311.3 million (5.18% of the total bilateral debt) and U.S.$137.3 million (2.29% of the total bilateral debt) respectively. As of October 31, 2016, the top three bilateral lenders to Ecuador were China, Brazil and Spain, with debt levels of U.S.$ 6,842.0 million (89.3 % of the total bilateral debt), U.S.$ 249.8 million (3.26 % of the total bilateral debt) and U.S.$ 132.3 million (1.72 % of the total bilateral debt) respectively.

The Government is current on all of its obligations to bilateral lenders.

In 2008, Ecuador defaulted on its interest payments for the 2012 and 2030 Bonds (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. In 2009 the Republic launched cash tender offers to the holders of the 2012 and 2030 Bonds and from 2009 through the date of this Offering Circular has repurchased additional 2012 and 2030 Bonds. As of the date hereof, the total aggregate amount of outstanding principal on the 2012 and 2030 Bonds is U.S.$52.1 million, which represents 1.6% of the original aggregate principal amount of the 2012 and 2030 Bonds.

In December 2005, the Republic successfully launched an issuance of the 2015 Bonds (the "2015 Bonds"). The use of the proceeds of the 2015 Bonds was to buy back certain of the 2012 Bonds in accordance with their terms. The Republic successfully repaid all principal and interest on the 2015 Bonds on December 15, 2015.

On June 17, 2014, the Republic successfully issued U.S.$2 billion of Bonds due June 2024 (the "2024 Bonds") with a coupon of 7.95% at 100% of the purchase price. The most recent interest payment on the 2024 Bonds, which was due on June 20, 2016, was paid by the Republic in accordance with the relevant indenture. The Republic is current on its financial obligations under the 2024 Bonds and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2024 Bonds to finance its various hydroelectric projects and other infrastructure projects contemplated in its National Development Plan.

On March 24, 2015, the Republic successfully issued U.S.$750 million of Bonds due March 2020 with a coupon of 10.50% (the “Original 2020 Issuance”) at 100% of the purchase price. The Republic re-opened the Original 2020 Issuance on May 19, 2015 and successfully issued an additional U.S.$750 million of Bonds at a price of 107.789%, also due 2020 (together with the Original 2020 Issuance, the "2020 Bonds"). The most recent interest payment on the 2020 Bonds, which was due on September 24, 2016, was paid by the Republic in accordance with the relevant indenture. The Republic is current on its financial obligations under the 2020 Bonds and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2020 Bonds to finance its various hydroelectric projects and other infrastructure projects contemplated in its National Development Plan.

On July 28, 2016, the Republic successfully issued U.S.$1,000 million of Bonds due 2022 with a coupon of 10.75% (the “Original 2022 Issuance”) at 100% of the purchase price. The Republic re-opened the Original 2022 Issuance on September 30, 2016 and successfully issued an additional U.S.$1,000 million of Bonds at a price of 100%, also due 2022 (together with the Original 2022 Issuance, the “2022 Bonds”). The Republic is current on its financial obligations under the 2022 Bonds and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2022 Bonds to finance its various hydroelectric projects and other infrastructure projects contemplated in its National Development Plan.

Ecuador’s other significant external debt transactions in 2015 include a January 7, 2015 memorandum of understanding with China Development Bank in connection with a loan of up to U.S.$1.5 billion. The proceeds of the loan are to be used for eligible infrastructure and development projects in Ecuador. On the same date, Ecuador entered into a framework agreement for future cooperation with China Exim Bank. This agreement allows the Ministry of Finance to regularly submit priority lists of projects which it proposes to be financed by China Exim Bank, within three years of the date of the agreement. The initial priority list includes 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.

Additionally, on February 26, 2015, Ecuador entered into a Foreign Purchase Credit Agreement with Deutsche Bank Sociedad Anónima Española. The loan is to be 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 in a term of nine years.

On March 31, 2015, Ecuador entered into a thirteen 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 of this facility are to be 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, China Exim Bank, and China Minsheng Banking Corp., Ltd. The first tranche of U.S.$820 million was disbursed in February 2016. The facility relates to a multi-party contractual structure involving a crude oil delivery contract entered into with PetroChina. The credit has an interest rate of three-month Libor plus 6.2% and has a term of five years.

In February 2016, the Republic entered into a U.S.$198 million preferential buyer credit loan agreement with China Exim Bank to finance the first phase of Yachay. The loan agreement has a 3% interest rate and a term of 20 years.

On April 29, 2016, Ecuador entered into an eight year loan agreement with China Development Bank for U.S.$2 billion. The agreement relates to a multi-party contractual structure involving a crude oil delivery contract entered into with PetroChina.

On July 15, 2016, Ecuador’s Ministry of Finance and the Official Credit Institute of Spain (*Instituto de Crédito Oficial*), 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 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 city of Guayaquil and the city of 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 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. The Republic intends to use the proceeds of the loan towards reconstruction efforts in the areas that were affected by the Pedernales Earthquake.

On November 17, 2016, the Republic, acting through its Ministry of Finance, entered into a twenty year, U.S.$102.6 million loan facility with China Exim Bank to be used to finance the survey, design and construction with respect to the Santa Ana Aqueduct Hydraulic Stage One Project.

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 IDB to finance costs related to its emergency response program for reconstruction efforts in the areas that were affected by the Pedernales Earthquake.

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 will receive initial prepayments of $600 million shortly after signing for crude oil to be delivered to PTT International during the 5-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 will receive an initial prepayment of U.S.$300 million shortly after signing for fuel oil to be delivered to OTI during the 30-month term of the contract. 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.

On July 15, 2008, Petroecuador and Petróleos de Venezuela Ecuador, S.A. (“PDVSA Ecuador”) formed a new entity called RDP (defined herein) in which Petroecuador is currently the majority shareholder (51%) and PDVSA Ecuador is the minority shareholder (49%). RDP will develop a refinery project with the same name to be built in the municipality of Manta, Manabí Province, with a total nameplate capacity of 300,000 bpd. The land rights and environmental licenses necessary to develop RDP have already been obtained, and a preliminary detailed feasibility study of the project is complete. The total estimated investment for RDP is approximately U.S.$15 billion. Negotiations are ongoing to provide financing for the project. In the event RDP is able to obtain financing through debt for this project, it is not clear whether it would be able to do so while remaining within the 40% public debt to GDP limit as further described in “Public Sector Finances – Fiscal Policy.” Construction has commenced and the project is scheduled to be completed by year-end 2021.

On October 25, 2016, pursuant to Article 147, Clause 13 of the 2008 Constitution, President Correa exercised his presidential authority to issue implementing regulations and signed Decree No. 1218 (“Decree 1218”), which modifies Article 135 of the Public Planning and Finance Code. Decree 1218 changes the methodology that the Ministry of Finance uses 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 has been exceeded. Under Decree 1218, the Ministry of Finance will now use the Total Consolidated Public Debt methodology set out in the Manual of Public Finance Statistics of the IMF (the “IMF GFS”). 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. In contrast, the aggregation methodology, which the Ministry of 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 eliminates certain types of debt from the calculation and, by extension, reduces the amount of total public debt taken into account for purposes of the 40% total public debt to GDP ceiling. 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 Noteholders.*"

Selected Economic Indicators

	For the Year Ended December 31,					For the Six Months Ended June 30,	
	2011	2012	2013	2014	2015	2015	2016
	(in millions of U.S. dollars, except percentages)						
The Economy							
Nominal GDP	79,277	87,925	95,130	102,292	100,177	50,539	48,468
Real GDP [1]	60,925	64,362	67,546	70,243	70,354	35,409	34,319
Real GDP growth	7.9%	5.6%	4.9%	4.0%	0.2%	1.8%	-3.1%

	For the Year Ended December 31,					For the Twelve Months Ended November 30,	
	2011	2012	2013	2014	2015	2015	2016
	(in millions of U.S. dollars, except percentages)						
Annual inflation	5.4%	4.2%	2.7%	3.7%	3.4%	3.4%	1.1%

	For the Year Ended December 31,					As of October 31,	
	2011	2012	2013	2014	2015	2015	2016
	(in millions of U.S. dollars, except percentages)						
International reserves[2]	2,958	2,483	4,361	3,949	2,496	3,308	4,275

	For the Year Ended December 31,					For the Quarter Ended June 30,	
	2011	2012	2013	2014	2015	2015	2016
	(in millions of U.S. dollars)						
Balance of Payments [3] [6]							
Exports [3]	23,082	24,569	25,587	26,597	19,049	5,117	4,460.3
Imports [3]	-23,385	-24,519	-26,115	-26,660	-20,699	-5,309	-3,617.6
Trade balance [3]	-303	50	-529	-63.5	-1,650	-193	843
Services balance [3]	-1,563	-1,394	-1,420	-1,171	-805	-212	-148
Current account surplus/deficit of the balance of payments [3]	-402	-168	-927	-526	-2,122	-273	865

	For the Year Ended December 31,					For the Nine Months Ended[7]	
	2011	2012	2013	2014	2015	2015	2016
	(in millions of U.S. dollars, except percentages)						
The Economy							
Unemployment Rate[4]........................	4.21%	4.12%	4.15%	3.80%	4.77%	4.28%	5.20%
Non-Financial Public Sector							
Total revenues....................................	31,190	34,570	37,260	39,032	33,586	26,524	21,798
Total expenditures	31,290	35,394	41,607	44,346	38,676	27,142	25,128
Surplus/Deficit...................................	-100	-824	-4,348	-5,314	-5,091	-618	-3,330
As % of GDP [1]	-0.1	-0.9	-4.6	-5.3	-5.1	-1.2	-6.9
Central Government							
Total revenues....................................	17,198	19,523	20,400	20,381	20,344	16,010	13,822
Total expenditures	18,435	21,240	25,861	26,794	24,149	16,902	16,043
Surplus/Deficit...................................	-1,236	-1,717	-5,461	-6,413	-3,805	-892	-2,221
As % of GDP [1]	-1.6	-2.0	-5.8	-6.4	-3.8	-1.8	-4.6

	For the Year Ended December 31,					As of October 31,[8]	
	2011	2012	2013	2014	2015	2015	2016
	(in billions of U.S. dollars)						
Public Debt [5]							
Total External Debt	10.06	10.87	12.92	17.58	20.23	20.31	24.58
Total External Debt (as % of GDP)..	12.7	12.4	13.6	17.2	20.2	20.3	25.5
Total Internal Debt	4.51	7.78	9.93	12.56	12.55	12.10	12.53
Total Internal Debt (as % of GDP)....	5.7	8.8	10.4	12.3	12.5	12.1	13.0
Total Public Debt	14.56	18.65	22.85	30.14	32.77	32.42	37.11
Total Public Debt (as % of GDP)......	18.4	21.2	24.0	29.5	32.7	32.4	38.6

(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 Second Quarter of 2016. 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 ("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.

(3) Figures reflect figures from "Balance of Payments" tables on pages 80-81.

(4) Unemployment figures based on figures from *Instituto Nacional de Estadística y Censos* ("National Institute of Statistics" or "INEC"). As a percentage of economically active population.

(5) Debt figures in this Offering Circular are based on information from the Ministry of Finance's September 2016 Debt Bulletin and reflect data for September 2016 unless otherwise indicated.

(6) Balance of payments data is published by the Central Bank on an annual and quarterly basis. Numbers reflect second quarter 2016 information.

(7) Unemployment figures for these periods are as of September 30, 2015 and 2016, respectively.

(8) Debt to GDP percentages for September 2016 are calculated using estimates from the Ministry of Finance and 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.

Issuer: The Republic of Ecuador.

Issue Amount: U.S.$750,000,000.

Securities Offered: U.S.$750,000,000 principal amount of 9.650% notes due 2026.

Issue Format: Rule 144A/Regulation S.

Issue Price: 100.000% plus accrued interest, if any, from December 13, 2016.

Issue Date: December 13, 2016.

Maturity Date: December 13, 2026.

Interest: 9.650% per annum, computed on the basis of a 360-day year of twelve 30 day months.

Interest Payment Dates: Each June 13 and December 13 of each year, commencing on June 13, 2017.

Form: The Notes will be 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. Notes in definitive certificated form will not be issued in exchange for the global notes except under limited circumstances.

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.

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 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.

Withholding Tax and 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, except to the extent provided for in "Description of the Notes – Additional Amounts," 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.

Representations and Covenants: The Republic will agree to comply with, among others, the following covenants:

a) 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 actions in Ecuador in order to be able to make all payments to be made by it under the Notes and the Indenture.

b) 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 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.

c) The Republic will use its reasonable best efforts to list and thereafter to maintain the listing of the Notes on the Luxembourg Stock Exchange.

d) 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 (i) make any payment of principal or Make-Whole Amount on the Notes (unless such non-payment is due to an administrative or technical error and is remedied within five Business Days of the date when such payment is due) or (ii) make any payment of an interest amount or Additional Amount on the Notes within 30 days of the date when such payment is due.

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 aggregate principal amount of the Notes then outstanding regarding that default.

c) The Republic, or a court of proper jurisdiction, declares a moratorium with respect to the payment of principal of, or interest on, Ecuador's External Indebtedness (other than Excluded Indebtedness).

d) The Republic fails to make any payment in respect of any External Indebtedness (other than 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 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 Ecuador's failure to pay the principal or interest on 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 payment 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, FLAR and IDB.

i) There shall have been entered against the Republic or the Central

Bank in a matter related to External Indebtedness (other than 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 such judgment.

j) There shall be made against the Republic or the Central Bank in a matter related to External Indebtedness (other than 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.

Use of Proceeds: The Republic will use the proceeds of U.S.$1,000,000,000 of the Notes in accordance with the limitations of the Public Planning and Finance Code (defined herein), as further described in "Use of Proceeds."

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 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, as more fully described in "Description of the Notes – Modifications – Collective

Action."

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."

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. The Republic and the Lead Manager cannot provide any assurances that a liquid market for the Notes will develop. The Lead Manager has advised the Republic that it currently intends to make a market in the Notes. However, it is not obligated to do so, and any market-making with respect to the Notes may be discontinued without notice.

Trustee, Registrar and Transfer Agent: The Bank of New York Mellon.

London Paying Agent: The Bank of New York Mellon, London Branch.

Luxembourg Listing Agent, Transfer Agent and Luxembourg Paying Agent: The Bank of New York Mellon (Luxembourg) S.A.

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.

Submission to Arbitration:

(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 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. 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 hereby 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 (10) 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.

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.

Scope of Sovereign Immunity:

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 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 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.

Further Issues: The Republic may, from time to time, without the consent of the holders of the Notes, create and issue additional notes having the same terms and conditions as the Notes in all respects (or in all respects except for the amount of the first interest payment and the issue price) provided that:

(a) the notes are consolidated and form a single series with the outstanding Notes; and

(b) such additional notes do not have, for purposes of U.S. federal income taxation, a greater amount of original issue discount than the outstanding Notes have as of the date of the issue of such additional notes (regardless of whether any holders of such Notes are subject to U.S. federal income taxation).

RISK FACTORS

This section describes certain risks associated with investing in the Notes. You should consult your financial and legal advisors about the risk of investing in the Notes. Ecuador disclaims any responsibility for advising you 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.

Ecuador has been advised by the Lead Manager that it intends to make a market in the Notes but is not obligated to do so, and in the event that it does so, it may discontinue market making at any time without notice. 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 Notes will contain provisions that allow the payment terms to be amended without the consent of all holders.

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. 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" 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.

Recent 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.

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 issued pursuant to this offer 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. You should consult your financial or legal advisors for advice concerning applicable transfer restrictions with respect to the Notes.

Credit ratings may not reflect all risks of investment in the Notes.

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 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.

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 by a majority in favor of the United Kingdom leaving the European Union at a referendum on the United Kingdom's membership of the European Union. As of the date of this Offering Circular, the actions that the United Kingdom will take to effectively exit from the European Union or the length of such process are uncertain. The results of the United Kingdom's referendum 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 only represented 0.9% of Ecuador's exports for 2015. 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.

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 Bonds.

In 2009, Ecuador defaulted on its interest payments for the 2012 and 2030 Bonds (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 Bonds 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 Ecuadorian 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 Bonds), 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 President Correa's administration, Ecuador offered to repurchase the 2012 and 2030 Bonds at a discount to their par value. Holders responded to this offer by tendering substantially all of the 2012 and 2030 Bonds. Although some holders continue to hold the defaulted 2012 and 2030 Bonds, Ecuador has successfully repurchased additional 2012 and 2030 Bonds from remaining holders from 2009 onwards. For more information, see "Public Debt – Debt Obligations – 2012 and 2030 Bonds and tender offer." Ecuador has remained current on its obligation to its other series of sovereign bonds including the 2020 Bonds and 2024 Bonds (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 Bonds 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 Bonds and tender offer," of these defaulted bonds 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 Bonds, 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 Bonds 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.

Ecuador's past 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 with President Correa's Alianza PAIS party having won five consecutive National Assembly elections, and President Correa having won re-election in 2013. Ecuador is scheduled to have presidential elections in February 2017 (the "2017 Election"). For more information on presidential term limits, see "The Republic of Ecuador – Form of Government." 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;
- the impact of 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 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.

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 on and may continue to impact on revenues and the performance of the economy of Ecuador.

The economy of Ecuador and the Government's budget are highly dependent on petroleum revenues. For example, in 2015, 18.9% of Ecuador's non-financial public sector revenues were derived from petroleum and petroleum-related taxes and royalties, In response to the decline in revenue attributable to the fall in the price of oil in 2015, Ecuador reduced its original 2015 budget of U.S.$36.3 billion to U.S.$34.1 billion, a decrease of 6%. 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 current levels of approximately U.S.$50 per barrel, 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 the current global recession, weakness of the world economy, terrorism, market volatility and certain geopolitical developments, such as political instability in the Middle East and Venezuela, may have a potentially adverse effect on the petroleum market as a whole.

In addition, in 2015, 81.4% of Ecuador's petroleum exports by destination were to three countries - the United States (62.4%), Chile (13.0%), and Peru (6.0%). 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 (see "The Ecuadorian Economy – Strategic Sectors of the Economy – Oil Sector") and has completed 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 Government's fiscal accounts and International Reserves.

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.

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.

In addition to the effects of the volatility of the oil market, the National Assembly has passed several laws that have altered the Government'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. For more information see "Public Sector Finances-2015 and 2016 Budget." President Correa has stated, in light of the global economic climate, that Ecuador's priority will be to meet the Government's employment and social goals. Ecuador may need to balance these social and employment goals given its budgetary constraints.

Petroamazonas' failure to make timely payments to contractors could have an adverse effect on Petroamazonas and on revenues that the Government Receives from Petroamazonas.

As oil prices have decreased, Petroamazonas has failed to pay on a timely basis certain amounts owed to contractors. Petroamazonas is engaged in discussions with certain of its contractors with respect to some of its outstanding accounts payable. Nonetheless, we cannot provide any assurance as to whether or when Petroamazonas will become current on the rest of its outstanding supplier payment obligations. Delays in payments to contractors could have an adverse effect on Petroamazonas' operations and the revenues that the Government receives from Petroamazonas**.**

Commodity prices are volatile, and a significant decline in commodity prices could adversely affect Ecuador's economy and affect 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 in 2015 made up approximately 15.3% and 12.4% of Ecuador's total exports, 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 April 2016 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, a 7.8 magnitude earthquake struck the northern coast of Ecuador, (the "Pedernales Earthquake"). The Pedernales Earthquake and its aftershocks, caused severe damage to Ecuador's infrastructure in the region, including its roads and ports. A study conducted by SENPLADES, INEC and various ministries estimates that the cost of reconstructing the infrastructure damaged by the Pedernales Earthquake is approximately U.S.$3.3 billion (approximately 3% of Ecuador's GDP). 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. The study estimates that the Pedernales Earthquake will have an impact of -0.7% on the growth of 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.

Burlington

Burlington Resources, Inc. ("Burlington") filed an arbitration claim before ICSID on April 2008 against Ecuador, seeking compensation for alleged modifications to its contracts for the development of Blocks 7 and 21 in Ecuador imposed by Ecuadorian law 42-2006. Burlington argued that such unilateral modification resulted in an expropriation of the blocks that Burlington was operating, although, subsequent to the commencement of the proceedings, Burlington withdrew the contractual claims and based all claims solely on violations of the U.S.-Ecuador Bilateral Investment Treaty. On December 14, 2012, the tribunal decided the liability issue in favor of Burlington and consequently, on January 28, 2013, Ecuador submitted a petition for reconsideration

On September 30, 2011, Ecuador filed two counterclaims against Burlington for environmental damage and failure to maintain the facilities of Blocks 7 and 21, in an approximate amount of U.S.$2 billion. The arbitral tribunal was scheduled to meet for a hearing on damages (in respect to Burlington's claims) and Ecuador's counterclaims in August 2013, but the hearings were suspended due to the request by Ecuador that one of the arbitrators recuse himself from the proceeding because of a conflict of interest.

Burlington presented its assessment of damages memorandum on June 24, 2013, to which Ecuador responded on May 23, 2014. The tribunal held a hearing regarding damages from March 2 to March 6, 2015 in Paris, after which both parties presented their post-hearing briefs on May 29, 2015. Ecuador expects the tribunal to deliver its decision with respect to damages in December 2016.

Hearings for the counterclaims took place from June 1 to June 7, 2014 in Paris. The parties presented their post-hearing briefs on October 3, 2014 and, in an effort to assess the validity of the counterclaims, the tribunal visited Blocks 7 and 21 in April 2015. The parties presented their post-visit briefs on July 15, 2015. The result of the hearing regarding the counterclaim is pending.

Claims under the 2030 Bonds

On December 12, 2014, GMO Trust issued proceedings against the Republic in respect of an alleged U.S.$15,876,000 holding of 2030 Bonds. GMO voluntarily withdrew its complaint pursuant to a settlement agreement between the parties. A stipulation dismissing the complaint was filed on March 16, 2015; under that stipulation, the case cannot be re-filed.

On January 30, 2015, Daniel Penades issued proceedings against the Republic in respect of an alleged U.S.$455,000 holding of 2030 Bonds. Ecuador was served with a notification of the claim on September 16, 2015. On January 15, 2016, Ecuador filed a motion to dismiss. On September 30, 2016, the United States District Court for the Southern District of New York granted Ecuador's January 15, 2016 motion to dismiss the Penades complaint and ordered the case closed. On October 27, 2016, Penades filed a notice of appeal with the Southern District of New York to the United States Court of Appeals for the Second Circuit. Thereafter, Penades duly filed the required standard forms to initiate the new appeal case.

On November 29, 2016 the United States Court of Appeals for the Second Circuit issued a notice stating that the appeal had been assigned to the Court's Expedited Appeals Calendar. The Court stated that Appellant's brief (Penades) is due no later than January 3, 2017, 35 days from the date of the notice. Appellee's brief (Ecuador) is due no later than February 7, 2017 or, 35 days from the date Appellant's brief is filed, whichever date is sooner. Absent extraordinary circumstances, the Court stated that it will not grant a motion to extend the time to file a brief.

Part of the offering 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 offering includes that the Lead Manager in the offering could be said to have an obligation to pay the offering 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 Bonds. 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 Bonds. For more information, see “Public Debt – Debt Obligations – 2012 and 2030 Bonds 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 Noteholders.

The Republic is subject to a limitation on borrowing due to the Public Planning and Financing Code, 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, 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 exception from the National Assembly on a case by case basis. See “Public Sector Finances Overview – Fiscal Policy.” 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, President Correa exercised his presidential authority to issue implementing regulations and signed Decree No. 1218 (“Decree 1218”), which modifies Article 135 of the Public Planning and Finance Code. Decree 1218 changes the methodology that the Ministry of Finance uses 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 has been exceeded. Under Decree 1218, the Ministry of Finance will now use the Total Consolidated Public Debt methodology set out in the Manual of Public Finance Statistics of the IMF (the “IMF GFS”). 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. In contrast, the aggregation methodology, which the Ministry of 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 eliminates certain types of debt from the calculation and, by extension, reduces the amount of total public debt taken into account for purposes of the 40% total public debt to GDP ceiling.

Because the consolidation methodology does not take into account intra-governmental debt in the calculation of total public debt, Decree 1218 will enable 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. While the change in methodologies may reduce the near-term likelihood that the Republic will need to amend the Public Planning and Finance Code or seek an exception from the National Assembly in order to incur more debt, the interests of the Noteholders could be materially affected to the extent that the change in methodologies 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, as of December 31, 2015, International Reserves (defined herein) covered 9.5% of current account payments. Ecuador's 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, CAIC issued a report that made a number of findings regarding the legitimacy of Ecuador's debt obligations (including the 2012 and 2030 Bonds), 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 Bonds*." Following the report in 2008, Ecuador defaulted on its payments for the 2012 and 2030 Bonds 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 Bonds 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 Bonds. Although some holders continue to hold the defaulted 2012 and 2030 Bonds, Ecuador has successfully repurchased additional 2012 and 2030 Bonds from remaining holders from 2009 onwards. As of the date hereof, the total aggregate amount of outstanding principal on the 2012 and 2030 Bonds is U.S.$52.1 million, which represents 1.6% of the original aggregate principal amount of the 2012 and 2030 Bonds. For more information, see "Public Debt – Debt Obligations – 2012 and 2030 Bonds and tender offer." Given the history of defaults, and more recently, defaults with respect to the 2012 and 2030 Bonds as a result of CAIC determining that the bonds 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 "Exchange Rate Information."

USE OF PROCEEDS

The use of proceeds for public debt is limited by the Public Planning and Finance Code (defined herein). 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 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 of the Republic.

The Republic will use the proceeds of U.S.$750,000,000 of the Notes in accordance with the limitations of the Public Planning and Finance Code. The total expenses of this offering, including the underwriter's fee, will be approximately U.S.$3.74 million.

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 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 *Instituto Nacional de Estadística y Censos* ("National Institute of Statistics" or "INEC"), in 2016, the total population of Ecuador is approximately 16.5 million. Approximately 50.2% of the population live in the Pacific coastal plains, 44.5% live in the Andean highlands, 5.1% 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 63.6% of the population is urban. Guayaquil, which is located on the coast, is the largest city with 2.6 million inhabitants. Quito, the country's capital, has a population of just under 2.6 million and is located in the highlands at 2,850 meters above sea level. Cuenca is the third largest city with 591,996 inhabitants, and is also located in the Andean highlands. 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

	2011	2012	2013	2014	2015
Total population (*million*)	15.3	15.5	15.8	16.0	16.3
Female (%)	50.4	50.4	50.5	50.5	50.5
Male (%)	49.6	49.6	49.5	49.5	49.5
Urban (%)	62.9	63.0	63.2	63.3	63.4
Rural (%)	37.1	37.0	36.8	36.7	36.6
Functional age groups (%)					
Child (0–14)	32.1	31.8	31.5	31.1	30.7
Adult (15–64)	61.3	61.6	61.9	62.2	62.5
Elderly (65+)	6.6	6.6	6.7	6.7	6.8
Demographic Indicators					
Average Annual Growth (%)	1.7	1.7	1.6	1.6	1.6
Birth Rate (per thousand)	19.7	4.1	4.0	n/a	n/a
Infant Mortality Rate (per 1,000 live births)	8.9	8.8	8.6	8.4	n/a
Fertility Rate (per woman)	2.7	2.7	2.6	2.6	2.5
Average Life Expectancy (*age*)					
Female	78.1	77.8	78.6	78.8	79.1
Male	75.3	72.7	72.9	73.2	72.2
Overall	75.8	75.5	75.8	76.0	76.2

Source: Based on data from INEC.

The following table sets forth certain comparative information for Ecuador in 2015 relative to certain countries:

Selected Comparative Social Statistics [(1)]

As of December 31, 2015

	Ecuador	Bolivia	Paraguay	Honduras	Guatemala	Costa Rica	United States
Average life expectancy	75.8	68	73	73	71	79	79
Adult literacy rate	94%	94%	95%	87%	77%	97%	n/a
Expected years of schooling	9.8	13.9	12.3	11.2	10.7	15.1	16.5
Population below poverty line	23.3%	39.1%	22.6%	49.3%	53.7%	21.7%	n/a

Source: Ecuador data based on INEC projections as of December 31, 2015, remaining country data based on World Bank data available as of December 31, 2015.

(1) In Ecuador, as of December 2015, the poverty line was U.S.$83.79/month, per household.

Pedernales Earthquake

Ecuador is located in an active seismic area where the risk of an earthquake or tremors is high. On April 16, 2016, a 7.8 magnitude earthquake (the "Pedernales 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, 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 6 on the Richter scale as of the date of this Offering Circular. 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.

An evaluation conducted by SENPLADES, INEC and various ministries estimates that the cost of reconstructing the infrastructure damaged by the Pedernales Earthquake is approximately U.S.$3.3 billion (approximately 2-3% of Ecuador's GDP), and that, without taking into account the cost of reconstruction, damage from the earthquake will have an impact of -0.7% on the growth of Ecuador's GDP in 2016, and 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, President Correa empowered the Ministry of 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 Law of Solidarity was published and became effective. The Law of Solidarity includes the following measures:

- increasing the value added tax by 2 percentage points (from 12% to 14%) for one year, 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);

- 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 contribution of a day's salary for one month for those earning more than U.S.$1,000 a month; a one-time contribution of a day's salary for two months for those earning more than U.S.$2,000 a month, and similarly until a limit of a one-time contribution of one day's salary for 5 months for those earning more than U.S.$5,000 a month.

President Correa also indicated that Ecuador would draw from existing contingent credit lines, including a U.S.$ 150 million credit line with the World Bank, a U.S.$300 million credit line with IDB, and a U.S.$66 million with CAF (defined herein), and would explore the possibility of selling certain assets of the Republic, including the Sopladora 487 MW hydroelectric plant, Banco del Pacífico S.A., the *Corporación Nacional de Telecomunicaciones*, and other state owned utilities. 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.

On August 16, 2016, the Minister of Finance, Fausto Herrera, stated that the three sources of financing being used to address relief and restoration efforts in relation to the Pedernales Earthquake include the General State Budget, proceeds from the Law of Solidarity and contingent lines of credit. Minister Herrera stated that as of August 15, 2016, U.S.$888 million had been allocated for relief and restoration efforts in relation to the Pedernales Earthquake.

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 fuelled 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. In 2006, current president Rafael Correa was elected with 56.67% of the vote. Under his administration, which began in January 2007, voters approved a new constitution (the "2008 Constitution"), Ecuador's 20th constitution since gaining independence. President Correa was reelected in general elections held in February 2013 with 57.17% of the vote and his term will end in May 2017.

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. President Correa came into office in January 2007 under the previous Constitution, and is currently serving his second term under the 2008 Constitution, after being re-elected in general elections held in February 2013. The next presidential election will take place in February 2017.

The 2008 Constitution establishes a single chamber national assembly elected through direct popular vote for a four-year period (the "National Assembly"). 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.

In the most recent legislative elections held in February 2013, Alianza PAIS, President Correa's party, increased its control over the National Assembly with a total of 99 seats. The newly founded right wing party, *Creando Oportunidades*, won 11 seats and became the National Assembly's largest minority party. Several parties, such as PSC-Madera de Guerrero and MPD-Pachakutik formed alliances to gain 7 and 5 seats in the National Assembly, respectively.

The following table shows the current composition of the National Assembly as of May 2016:

Legislative Assembly
Composition by Political Party

Political Party	Number of Members
Alianza PAIS	82
PAIS-PACHAKUTIK	2
PAIS-Unidad Primero	8
PAIS-Mov. Aut. Reg.	4
PAIS-Partido Social Frente Amplio	4
Avanza	5
CREO	9
PSP	5
PSC-Madera de Guerrero	4
PSC	2
Alianza UP IZQ	4
Others	8
Total	**137**

Source: National Assembly of the Republic of Ecuador.

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. In the most recent municipal elections, held in February 2014, candidates from Alianza PAIS lost mayoral elections in Ecuador's three major cities of Quito, Cuenca, and Guayaquil.

The judicial system consists of the *Corte Nacional de Justicia* ("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 *Corte Constitucional* (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 *Contraloría General del Estado* (the "Office of the Comptroller General"), the *Consejo de Participación Ciudadana y Control Social* (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 *Consejo Nacional Electoral* ("National Electoral Council") and the *Tribunal Contencioso Electoral* (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.

Memberships in International Organizations and International Relations

International Organizations

Ecuador has diplomatic relations with approximately 102 countries, and is a member of a number of international organizations, some of which include the United Nations, Organization of the Petroleum Exporting Countries ("OPEC"), the Organization of American States ("OAS"), the World Health Organization ("WTO"), the Community of Latin American and Caribbean States ("CELAC"), and the Union of South American Nations ("UNASUR").

In 2007, Ecuador rejoined OPEC as a full member after fifteen 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 ("OFID"), a development fund to stimulate economic growth and alleviate poverty in disadvantaged regions of the world.

On July 2, 2009, President Correa issued a decree declaring that Ecuador was terminating its agreement as a member of the International Centre for Settlement of Investment Disputes ("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 facility to help Ecuador meet costs related to damages to infrastructure, housing, and agriculture caused by the Pedernales Earthquake. The World Bank has provided several recent project level financing for projects in infrastructure, irrigation, transport and sanitation. These projects include the Chimborazo Development Investment project in 2007 and the Quito Metro line project in 2012. See "The Ecuadorian Economy–Strategic Sectors – Transportation." On September 25, 2015, the Executive Board of the IMF concluded its annual Article IV consultation with Ecuador. For more information, see "Monetary System – the Central Bank."

Treaties and Other Bilateral Relationships

Ecuador is party to bilateral investment treaties with Argentina, Bolivia, Canada, Chile, China, Costa Rica, France, Germany, Spain, Italy, the Netherlands, Peru, Russia, Spain, Sweden, Switzerland, the United Kingdom, the United States, and Venezuela. Bilateral investment treaties with the following countries have either been terminated or expired: Cuba, the Dominican Republic, El Salvador, Finland, Guatemala, Honduras, Nicaragua, Paraguay, Romania, and Uruguay.

In addition, on December 12, 2014, representatives from Ecuador's Ministry of Foreign Commerce signed a trade agreement with the European Union. For more information see "Balance of Payments and Foreign Trade – Foreign Trade – Trade Policy."

On November 11, 2016, Ecuador signed a trade agreement with the European Union Council. 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. Both the European Union and Ecuador intend to implement the trade agreement on a provisional basis beginning in January 2017.

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 is also a member of the *Alianza Bolivariana para los Pueblos de nuestra América Latina* ("ALBA") along with Venezuela, Bolivia, Cuba, and other Caribbean nations. In February 2012, ALBA members signed an agreement to create an *espacio de interdependencia*, a shared economic development zone between all members. Ecuador is also linked to Mercosur (comprised of Argentina, Brazil, Paraguay, Uruguay and Venezuela), as an associate member and has been invited to participate as a full member and is a member of *Corporación Andina de Fomento* ("CAF"), who has helped Ecuador finance several transportation and infrastructure projects. In November of 2016, Ecuador entered into the Protocol of Accession of Ecuador to the Trade Agreement with Colombia and Peru along with the EU, 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 *Unión de Naciones Suramericanas* ("Union of South American Nations" or "UNASUR"). 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. In 2010, Ecuador formed part of the *Comunidad de Estados Latinoamericanos y Caribeños* ("Community of Latin American and Caribbean States" or "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.

THE ECUADORIAN ECONOMY

Gross Domestic Product

In 2011, the economy grew by 7.9% in real terms, the highest growth rate in the last decade. Foreign debt reached U.S.$10.06 billion, primarily due to a loan with the China Development Bank in the amount of U.S.$2 billion. This total external debt amount represented 12.7% of GDP, while annual year-end inflation for the year was 5.4%.

In 2012, the economy of Ecuador grew by 5.6% in real terms, which was mainly driven by an increase in fixed capital formation and public sector consumption, 10.6% and 11.4%, respectively. Gross fixed capital formation in 2012 increased, in real terms, by U.S.$1.58 billion due to the various infrastructure projects and public sector investments undertaken by Ecuador that year. For more information, see "The Ecuadorian Economy – Strategic Sectors of the Economy – Electricity and Water." Foreign debt reached U.S.$10.87 billion, which represented 12.4% of GDP, while the annual year-end inflation for the year was 4.2%.

In 2013, the economy of Ecuador grew by 4.9% in real terms, which was mainly driven by continued increases in fixed capital formation and public sector consumption, which increased by 10.4% and 10.3%, respectively. Foreign debt reached U.S.$12.92 billion, which represented 13.6% of GDP, while the annual year-end inflation for the year was 2.7%.

In 2014, the economy of Ecuador grew by 4.0% 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 represents 17.4% of GDP, while the annual year-end inflation for the year was 3.7%.

In 2015, the economy of Ecuador grew by 0.2% 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 20.1% of GDP, an increase of 15.0% compared to 2014. This increase was primarily due to the issuance of the 2020 Bonds. 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 twelve-month period ending in December 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. For the twelve-month period ended November 30, 2016, the inflation rate was 1.1%, compared to 3.4% for the twelve-month period ended November 30, 2015.

Real GDP for the second quarter of 2016 was U.S.$48,468 million, compared to U.S.$50,539 million in the second quarter of 2015, representing a decrease of 3.1% in real terms. This decrease is mainly due to decreased revenues resulting from the decline in the price of oil.

Real and Nominal GDP

(in millions of U.S. dollars, except percentages)

	For the Year Ended December 31,					For the Six Months Ended June 30,	
	2011	**2012**	**2013**	**2014**	**2015**	**2015[1]**	**2016[1]**
Real GDP (in millions of U.S.$)	60,925	64,362	67,546	70,243	70,354	35,409	34,319
Real GDP growth	7.9%	5.6%	4.9%	4.0%	0.2%	1.8%	-3.1%
Nominal GDP	79,277	87,925	95,130	102,292	100,177	50,539	48,468

Source: Based on figures from the Central Bank Quarterly National Accounts for the Second Quarter of 2016.

[1] Real GDP Growth measured as compared to Real GDP figure from the same six-month period of the previous year.

Nominal GDP by Economic Sector [(1)]

(in millions of U.S. dollars, except for percentages)

	For the Year Ended December 31,										For the Six Months Ended June 30,			
	2011	% of GDP	2012	% of GDP	2013	% of GDP	2014	% of GDP	2015	% of GDP	2015	% of GDP	2016	% of GDP
Manufacturing[(2)]	9,670	12.20	10,740	12.21	11,974	12.59	13,879	13.57	13,815	13.79	6,963	13.78	6,814	14.06
Construction	8,106	10.23	9,379	10.67	10,013	10.53	10,869	10.63	10,719	10.70	5,506	10.89	4,808	9.92
Petroleum	10,234	12.91	11,092	12.66	11,545	12.14	10,915	10.67	4,410	4.40	2,495	4.94	1,716	3.54
Trade (commerce)	8,400	10.60	9,054	10.30	9,977	10.49	10,555	10.32	10,501	10.48	5,380	10.64	4,924	10.16
Agriculture	6,702	8.45	6,564	7.49	7,231	7.60	8,114	7.93	8,452	8.44	4,216	8.34	4,155	8.57
Community services	5,996	7.56	6,943	7.90	7,513	7.90	7,879	7.70	8,679	8.66	4,304	8.52	4,360	9.00
Government services[(3)]	5,013	6.32	5,500	6.26	6,051	6.36	6,610	6.46	6,938	6.93	3,434	6.79	3,408	7.03
Administrative activity[(4)]	5,046	6.37	5,712	6.50	6,550	6.89	7,149	6.99	6,920	6.91	3,548	7.02	3,310	6.83
Transportation	3,696	4.66	3,860	4.39	4,300	4.52	4,523	4.42	4,469	4.46	2,244	4.44	2,218	4.58
Finance and insurance	2,300	2.90	2,761	3.14	2,591	2.72	3,180	3.11	3,332	3.33	1,676	3.32	1,645	3.39
Telecommunications	1,812	2.29	1,914	2.18	2,021	2.12	2,171	2.12	2,039	2.04	1,053	2.08	876	1.81
Electricity and water	928	1.17	1,046	1.19	1,066	1.12	1,302	1.27	1,557	1.55	769	1.52	840	1.73
Shrimp	421	0.53	462	0.53	516	0.54	491	0.48	393	0.39	194	0.38	207	0.43
Mining	229	0.29	289	0.33	305	0.32	337	0.33	354	0.35	185	0.37	173	0.36
Others [(5)]	10,722	13.52	12,609	14.34	13,477	8.29	14,317	8.10	17,598	11.21	8,572	16.96	9,014	18.60
Total GDP	**79,277**	**100**	**87,925**	**100**	**95,130**	**100**	**102,292**	**100**	**100,177**	**100**	**50,539**	**100.0**	**48,468**	**100.0**

Source: Based on information from the Central Bank.

(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, 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 Six Months Ended June 30,	
	2011	2012	2013	2014	2015	2015	2016
Real GDP Growth	7.9	5.6	4.9	4.0	0.2	1.8	-3.1
Import of goods & services [(1)]	3.6	0.8	7.0	4.3	-8.6	-3.0	-14.2
Total Supply of Goods & Services	**6.8**	**4.5**	**5.4**	**4.1**	**-1.9**	**0.7**	**-5.6**
Public Sector Consumption	8.7	11.1	10.3	5.2	0.6	1.7	-1.2
Private Consumption	5.1	2.9	3.9	3.4	-0.1	2.0	-5.1
Gross Fixed Capital Formation	14.3	10.6	10.4	3.8	-5.9	0.1	-12.8
Exports of goods and services[(1)]	5.7	5.5	2.6	4.2	-0.4	0.8	1.5
Total Final Demand	**6.8**	**4.5**	**5.4**	**4.1**	**-1.9**	**0.7**	**-5.6**

Source: Based on figures from the Central Bank Quarterly National Accounts for the Second Quarter of 2016.

(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,					For the Six Months Ended June 30,	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**
Per capita Nominal GDP (current U.S.$) ...	5,193	5,665	6,030	6,382	6,154	3,129	2,955
Per capita Real GDP	3,991	4,147	4,282	4,383	4,322	2,192	2,092
Population (in thousands)[1]	15,266	15,521	15,775	16,027	16,279	16,153	16,404

Source: Based on figures from the Central Bank Quarterly National Accounts for the Second Quarter of 2016.

(1) 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 Six Months Ended June 30,	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**
Consumption							
Public Sector Consumption	7,840.9	8,712.1	9,609.8	10,111.9	10,172.3	5,053.4	4,995.2
Private Consumption	39,234.6	40,361.9	41,942.3	43,375.8	43,313.2	21,909.5	20,792.2
Total Consumption	47,075.5	49,074.0	51,552.1	53,487.7	53,485.5	26,962.9	25,787.4
Gross Investment							
Gross Fixed Capital Formation...........	14,920.8	16,496.2	18,214.0	18,904.8	17,797.9	9,230.6	8,045.1
Change in Inventory	1,277.0	380.3	261.3	460.2	-101.7	110.4	-215.3
Exports of goods and services[1]	16,835.7	17,756.0	18,210.3	18,974.5	18,904.0	9,392.5	9,531.3
Imports of goods and services [1]	19,183.9	19,344.1	20,691.6	21,584.1	19,731.9	10,287.5	8,829.7
Real GDP	60,925.1	64,362.4	67,546.1	70,243.0	70,353.9	35,408.8	34,318.7

Source: Based on figures from the Central Bank Quarterly National Accounts for the Second Quarter of 2016.

(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 the Offering Circular.

Economic and Social Policies

Since taking office in 2007, President Correa has 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

Upon taking office, President Correa believed that significant reforms were necessary to rectify years of corruption, especially in regards to economic and financial matters. To do so, President Correa called for a referendum to write a new constitution, which was approved by the electorate and the National Assembly. The 2008 Constitution provided the foundation for the economic and financial reform initiatives of his administration.

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 shall 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 (the "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 establishment of presidential term limits (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 a single master account in the Central Bank (the "*Cuenta Única del Tesoro*" or "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 June 26, 2014, the President of the National Assembly submitted a request to the Constitutional Court soliciting their opinion as to whether certain proposals, including one that would allow for re-election of the President of Ecuador for an indefinite number of terms, were constitutional amendments or constitutional reforms. Constitutional amendments require only the approval of two-thirds of the National Assembly while constitutional reforms require both the approval of a two-thirds vote in the National Assembly and a majority of the population eligible to vote in a popular referendum. On November 1, 2014, the Constitutional Court ruled that the proposals were constitutional amendments and therefore did not require a popular referendum. In December 2015, the National Assembly approved the proposals, including an amendment allowing for the indefinite re-election of the president. However, a transitional provision was included stating that the amendment will not be effective before May 24, 2017, and thus it will not apply to President Correa, whose term finishes on May 23, 2017.

On April 13, 2016, a request soliciting the Constitutional Court's opinion on the feasibility of a referendum to eliminate such a transitional provision was accepted. The Constitutional Court held that pursuant to Article 441 of the 2008 Constitution, in order for the referendum to take place, certain formal requirements must be met including a petition signed by at least 8% of the citizens registered in the electoral roll. The April 13, 2016 decision of the Constitutional Court did not specify a time limit for the referendum to be held.

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 Desarrolo 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 (defined below).

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 10 years, for profits related to new and productive investments as defined by the Production Code. For more information on these laws and other tax reforms, see "Public Sector Finances –Taxation and Customs," and "Public Sector Finances –Tax Reforms."

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, President Correa announced on national radio that the Republic will amend its existing mining laws. In an interview, the Minister of Coordination of Strategic Sectors has stated the principal objective of these new laws will be to attract investment in the mining sector. However, drafts of these potential reforms have not been publicly circulated and once publicly announced, are subject to the modifications by and approval of the National Assembly.

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 *Ley de Hidrocarburos* ("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 shall 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 $15 to $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. See "Legal Proceedings -Windfall Profits Tax Litigation."

Public Planning and Finance Code

Enacted in October 2010, the *Código Orgánico de Planificación y Finanzas Públicas* ("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 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 Finance to issue *Certificados de Tesorería* ("short-term treasury notes" or "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").

Both the Republic and the Autonomous Decentralized Governments are subject to this law. For more information on the Public Planning and Finance Code, see "Public Sector Finances – Fiscal Policy."

Production Code

Enacted in December 2010, the *Código Orgánico de la Producción* ("Production Code") was created to stimulate investment and increase the production of good and services. The objective of this law was to create fair guidelines that would balance workers' rights with economic incentives for investors. To achieve that objective, the Production Code:

- provides guidelines for the *Consejo Nacional de Salarios* ("National Council on Wages") to consider in setting the minimum wage;
- provides guidelines for foreign investments and outlines the rights of foreign investors; and
- creates tax incentives for investors, including a 3% reduction on capital gains tax and the elimination of up-front taxes on any new investment.

Law for Market Power Control and Regulation

Enacted in October 2011, the *Ley Orgánica de Regulación y Control del Poder de Mercado* ("Law for Market Power Control and Regulation") was created to avoid, reform and penalize the abuse of market power. The objectives of the law were to prevent, prohibit and penalize collusive deals and other restrictive practices; control and regulate economic concentration operations; and prevent, prohibit and penalize disloyal practices, thereby seeking market efficiency as well as individual and collective well-being.

Environmental Improvement and State Resources Optimization Law

In November 2011, the Republic published and made effective the *Ley de Fomento Ambiental y Optimización de los Recursos del Estado* ("Environmental Improvement and State Resources Optimization Law") to strengthen the environmental regulatory framework of the country. The law establishes, among others:

- an increase of the *Impuesto a la Salida de Divisas* ("ISD" or "Currency Outflow Tax"), from 2% to 5% (for more information regarding the Currency Outflow Tax see "Balance of Payments and Foreign Trade – Foreign Trade – Trade Policy";
- a tax increase on cigarettes and alcoholic beverages;
- the creation of a two-cent tax on plastic bottles; and
- the creation of a vehicle pollution tax.

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.

Comprehensive Law of Redistribution of Income for Social Expenditures

Enacted in January 2013, the *Ley Orgánica de Redistribución de los Ingresos para el Gasto Social* (“Comprehensive Law of Redistribution of Income for Social Expenditures”) was created to direct economic resources towards the financing of certain key social expenditures that generate economic activity. For more information on this law, which includes tax reforms, see “Public Sector Finances – Taxation and Customs.”

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” or “CNV”) 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 CNV.

Monetary and Financial Law

In September 2014, the National Assembly enacted 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 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 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, as of May 2016, approximately U.S.$1 million was in circulation in Ecuador in electronic currency.

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 issued various laws, 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 (*Junta de Política y Regulación Monetaria y Financiera*) issued Resolution No. 273-2016-F, which increases from 2% to 5% the reserves that financial institutions with more than U.S.$1 billion in assets are required to hold at the Central Bank. This resolution is expected to reduce the liquidity of these financial institutions' Central Bank deposits by approximately U.S.$750 million.

Telecommunications Law

Enacted by the National Assembly in February 2015, the *Ley Orgánica de Telecomunicaciones* ("Telecommunications Law") was created to improve access to quality telecommunications services and to increase the use of information technology in rural sectors. The objective of the law was to foster competition among telecommunication providers in order to increase the quality of telecommunication services in the country. The law applies to all companies that provide or facilitate the transmission of voice, video, data or any other type of signal via physical or wireless means. Under the Telecommunications Law, companies whose market share exceeds certain thresholds must pay a corresponding tax to the Government, which tax increases depending on the percentage of market share held. For example, companies that hold a market share higher than 75% must pay the government a tax equal to 9% of their total revenues for the year. In addition, the law provides that telecommunications companies must provide their services in Shuar and Quechua as well as in Spanish.

Labor, Justice and Home Maker Recognition Law

Enacted in April 2015, the *Ley Orgánica para la Justicia Laboral y Reconocimiento del trabajo en el Hogar* (the "Labor Justice and Home Maker Recognition Law") amends certain laws related to Ecuador's social security system. Under the Labor Justice and Home Maker Recognition Law, home makers previously ineligible to receive social security benefits can now enroll and receive benefits as a result of disability or old age. In addition, the law eliminates mandatory contributions to the social security system by the Government. Instead, the law establishes a Government guarantee to finance the social security system only when the contributions from employers and employees are insufficient to meet the resources required in a particular year.

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 *Codigo 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.

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 10-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* ("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 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 of Solidarity

On May 20, 2016, the Law of Solidarity was published and became effective in an effort to reallocate public funds other than those for health and education, toward reconstruction effort resulting from the Pedernales earthquake. The Law of Solidarity includes the following measures:

- increasing the value added tax by 2 percentage points (from 12% to 14%) for one year, 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);

- 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 contribution of a day's salary for one month for those earning more than U.S.$1,000 a month; a one-time contribution of a day's salary for two months for those earning more than U.S.$2,000 a month, and similarly until a limit of a one-time contribution of one day's salary for 5 months for those earning more than U.S.$5,000 a month.

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 *Unidad de Análisis Financiero y Económico* (the "Financial and Economic Analysis Unit"), the Government entity responsible for compiling information and producing reports relating to money laundering.

Law on Tax Incentives

On October 12, 2016, the *Ley Orgánica de Incentivos Tributarios para Varios Sectores Productivos e Interpretativa del Articulo 547 del Código Orgánico de Organización Territorial, Autonomía y Descentralización* (the "Law on Tax Incentives") was published and became effective. The Law on Tax Incentives is intended to encourage productivity by extending tax incentives to additional sectors of the economy. The law establishes income tax deductions for micro, small and medium sized businesses that provide private health insurance to their employees and income tax deductions for public and commercial transport operators equal to the value of the vehicles owned by such operators.

Law to Regulate Companies that Finance Pre-paid Health Services and Health Insurance Companies

On October 17, 2016, the *Ley Orgánica que Regula a las Compañías que Financien Servicios de Atención Integral de Salud Prepagada y a las de Seguros que Oferten Cobertura de Seguros de Asistencia Médica* (the "Law to Regulate Companies that Finance Pre-paid Health Services and Health Insurance Companies") was published and became effective. The law is intended to regulate health service companies and health insurance companies and to provide clear legal requisites for the establishment and operation of such entities.

Law to Strengthen the Social Security System of the Armed Forces and National Police

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.

Decree 1218

On October 25, 2016, pursuant to Article 147, Clause 13 of the 2008 Constitution, President Correa exercised his presidential authority to issue implementing regulations and signed Decree No. 1218 ("Decree 1218"), which modifies Article 135 of the Public Planning and Finance Code. Decree 1218 changes the methodology that the Ministry of Finance uses 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."

Further Reforms

On December 1, 2016, President Correa submitted for the National Assembly's approval, the *Ley Orgánica para evitar la Especulación sobre el valor de las tierras y fijación de tributos* as an urgent economic measure. If approved, this bill that would increase the tax on capital gains obtained from the sale of real estate from 10% to up to 75%. The National Assembly has 30 days from the time of submission to approve this law.

Strategic Sectors of the Economy

Ecuador's principal economic sectors are coordinated under the Ministry of Coordination of Strategic Sectors ("*Ministerio Coordinador de Sectores Estratégicos*" or "*MICSE*"). MICSE supervises and coordinates the activities of the Secretary of Water, Ministry of Telecommunications, Ministry of Electricity and Renewable Energy, Ministry of Mines and the Ministry of Hydrocarbons, who in turn 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. In 2014, the Government invested U.S.$7,034 million in these strategic sectors, compared to U.S.$3,617 million in 2011. In 2015, investment in Ecuador's principal economic sectors decreased by 20% to U.S.$5,621 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.$4,339 million in 2014 to U.S.$3,119 million in 2015. For more information regarding the 2015 budget please see "Public Sector Finances – 2015, 2016, and 2017 Budgets." The total aggregate investment amount in the strategic sectors from 2011 to 2015 was U.S.$27,195 million. The following chart sets forth accumulated investment in strategic sectors since 2011.

Strategic Sector Investment

(in millions of U.S.$)

	2011	2012	2013	2014	2015	2016[1]
Water	83	69	201	384	350	249
Telecommunications	283	360	422	294	305	202
Natural Resources (oil and mining)	2,082	2,604	3,915	4,338	3,119	1,643
Electricity	1,094	1,148	1,730	1,777	1,566	804
Ecuador Estratégico	0	109	190	175	225	24
Other investment [2]	75	107	67	66	57	8
Total Investment	**3,617**	**4,397**	**6,525**	**7,034**	**5,622**	**2,930**

Source: MICSE Information as of November 2016.

(1) Includes accumulated investment through the third quarter of 2016.

(2) Includes investments made by the *Ministerio de Ambiente* (the "Environment Ministry") and the Public Enterprise Administrator of the Special Economic Development Zone Eloy Alfaro ZEDE) in the first nine months of 2016.

Ecuador Estratégico ("Strategic Ecuador") is the state-owned company that administers all infrastructure projects carried out by MICSE. Its main functions are to evaluate project proposals submitted by municipalities, administer and distribute funds towards approved projects, and supervise the completion and progress of each project. According to Strategic Ecuador, the projects with the highest priority include the Mirador and Fruta del Norte mines (see "Mining" below). Financing for infrastructure projects has been procured through a selection process where competing financing offers are compared to determine the offer with the most favorable terms. The process, undertaken by Strategic Ecuador in consultation with the Ministry of Finance, assigns a percentage value to different aspects of an offer (price, experience of the financing entity in the type of project, and overall experience, among others). Projects with high levels of financing emphasize the price offered by the financing entity and assign a large percentage value to price. Then, competing offers are granted points depending on their qualifications. The financing entity with the most points is then chosen to finance the project. Financing has also been procured through joint venture contracts and direct investment through a grant of a concession and service contracts.

On February 13, 2015, President Correa signed Decree 578 ("Decree 578"), which creates the *Ministerio de Minas* ("Ministry of Mines") and renames the Ministry of Non-Renewable 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. The Ministry of Hydrocarbons will continue to supervise and regulate oil related activities in Ecuador in the same capacity as the Ministry of Non-Renewable Resources.

Oil Sector

Ecuador's oil reserves are managed directly by state-owned oil companies Petroecuador and *Empresa Pública del Ecuador Petroamazonas EP* ("Petroamazonas") and through service contracts with other Ecuadorian and foreign companies such as Rio Napo CEM. Oil exploitation operations are conducted under the supervision and regulation of the Ministry of Hydrocarbons acting through the *Agencia de Regulación y Control Hidrocarburífico* ("Hydrocarbons Regulation and Control Agency") and the *Secretaría de Hidrocarburos del Ecuador* ("Hydrocarbons Secretariat of Ecuador"). In November 2012, 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 2011 to 2015, 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 has declined in relation to the percentage of GDP of non-petroleum revenues during the 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 the first nine months of 2016, oil exports totaled U.S.$3,545 million, a 32.4% decrease from U.S.$5,241 million in the first nine months of 2015. These decreases were due to the decrease in the price of oil beginning in late 2014 and continuing through

2015. In contrast, revenues from non-petroleum sources increased in both 2014 and 2015, reaching U.S.$22,939 million in 2014 and U.S.$25,942 million in 2015. Both increases were due to increased tax revenues for both years.

In 2015, Central Government oil revenues represented 2.2% of GDP and 11.1% of Central Government revenues and non-petroleum revenues represented 17.9% of GDP and 88.9% 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 6.4% of GDP and 18.9% of non-financial public sector revenues and non-petroleum revenues represented 26.2% of GDP and 77.2% of non-financial sector revenues. For more information on revenues of the non-financial public sector, see "Public Sector Finances – Non-Financial Public Sector Revenues and Expenditures."

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 assumes 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. For information regarding adjustments to the 2016 Budget see "Public Sector Finances – 2015 and 2016 Budgets."

Petroecuador and Petroamazonas are state-owned companies and are legal entities with their own assets and budgetary, financial, economic and administrative autonomy. The Hydrocarbons Secretariat of Ecuador is a Governmental institution under the management of the Ministry of Hydrocarbons, with its own assets and administrative, technical, economic, financial and operational autonomy. It 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. The Hydrocarbons Secretariat of Ecuador also provides technical, economic and legal support in service contract origination and public bidding processes.

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.

With the reforms to the Hydrocarbons Law, enacted in 2010, oil production sharing contracts were replaced by service contracts.

The reforms clearly define the public sector oil entities' functions as follows:

- the Ministry of Hydrocarbons implements the hydrocarbon policies defined by the nation's president;

- the Hydrocarbons Secretariat 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; and

- Petroecuador and Petroamazonas are involved in the exploration, production, refining, and industrialization of hydrocarbon activities, as well as their internal and external marketing.

Under this new 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				January 1 – September 30		
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**
Petroleum [1]	500	504	526	557	543	545	548
Public Companies[2][3]...........................	130,528	133,656	144,921	157,976	154,308	115,701	118,088
Other operators	51,829	50,667	47,198	45,166	43,922	33,209	32,166
Total...	**182,357**	**184,323**	**192,119**	**203,142**	**198,230**	**148,911**	**150,254**
Natural Gas Production[4]	**8,522**	**15,249**	**18,052**	**20,292**	**17,429**	**n/a**	**n/a**

Source: Petroleum data is based on figures from the Central Bank October 2016 Monthly Bulletin (Table 4.1.1). Natural gas information is provided by Petroecuador.

(1) Petroleum information is displayed in thousands of barrels per day.

(2) Petroecuador and Petroamazonas until 2012. After January 1, 2013, only Petroamazonas is involved in petroleum production.

(3) Public company numbers include the production of Rio Napo, CEM, ("Rio Napo"). Petroamazonas and PDVSA own Rio Napo, with 70% and 30% interests respectively.

(4) Natural Gas Production information is displayed in millions of cubic feet.

According to the Central Bank's Monthly Bulletin for October 2016, oil field crude production, including that of private and state-owned companies, reached 150.3 million barrels for the first nine months of 2016, averaging 548 thousand barrels per day. This represents a 0.9% increase from the 148.9 million barrels produced in the first nine months of 2015, or an average production of 545 thousand barrels per day. In the first nine months of 2016, state-owned companies were responsible for 78.6% of production, compared to 77.7% of production in the first nine months of 2015.

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 (OCP) pipeline (see below "Transportation"), 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, Ecuador signed incremental production contracts with two oil company consortiums. The Shushufindi S.A. consortium, composed of oil field services companies Schlumberger and KKR from the United States and Argentina's Tecpetrol, was awarded the contract for the Shushufindi field. The Pardaliservices S.A. consortium, which comprises of Tecpetrol, Canada's Canacol Energy, Schlumberger and Ecuador's Sertecpet, will work on the Libertador-Atacapi field. These companies will invest more than $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, 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, which will enter into exploration agreements with foreign state-owned oil companies. The first agreement was a joint-venture agreement signed in September 2014 with Chile's Sipetrol S.A. and Belarus'Belorusneft. Under the agreement, Sipetrol S.A. and Belorusneft plan to invest U.S.$400 million to explore and develop a 490,000-acre concession in Block 28 in southeastern Ecuador. Petroamazonas will own a 51% stake in the project, while Sipetrol S.A. and Belorusneft will own 42% and 7%, respectively. The companies plan to conduct exploration beginning in January 2015 for a three-year period and anticipate producing oil from the block for over 15 years. As of the date of this Offering Circular, Ecuador continues to evaluate the proposals of possible foreign state-owned oil companies for future joint venture contracts.

In August 2013, President Correa signed a decree authorizing the exploitation of oil from Blocks 31 and 43, which include the ITT field in Yasuní National Park. The ITT field has estimated reserves of 1.67 billion barrels of crude, 750 million barrels more than originally estimated. 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 as well as the potential gains from the extraction of oil for this initiative, President Correa issued the decree allowing development of the ITT fields. Following the issuance of the decree in August 2013, environmental and indigenous groups have announced their opposition to the removal of the moratorium and the Presidential decree authorizing the development of the ITT fields; however, the National Assembly has approved the use of the ITT fields and, as of May 2014, the Environment Ministry has 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. According to estimates by Petroamazonas, investment to exploit the ITT fields is expected to equal U.S.$4.3 billion until 2021 and once fully operational, the oil field is expected to generate revenues of U.S.$18 billion over the life of the reserves. On September 7, 2016, Petroamazonas began extracting oil from the ITT fields.

In December 2015, Schlumberger, a French oilfield services company, entered into an oilfield servicing contract with Petroamazonas. The 20-year agreement commits Schlumberger to invest U.S.$4.9 billion in production-enhancing measures at Block 61, located in the Ecuadorian Amazon. The primary part of Schlumberger's investment will be spent on improving upstream production. However, the company has also agreed to assume the block's operational costs, which will require an additional investment of U.S.$1.8 billion during the term of the contract.

Exports

Crude oil exports as measured in U.S. dollars steadily increased from 2011 to 2013. 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. Crude oil exports in 2015 reached U.S.$6,355 million, a 51.2% decrease from U.S.$13,016 million in 2014. Both decreases were due to the decrease in the price of oil beginning in late 2014 and continuing through 2015.

In 2014, 98.0% of the value of oil exports was crude oil and 2.0% was oil derivatives. In 2015, 95.4% of the value of oil exports was crude oil and 4.6% was oil derivatives. In 2014, 59.7% of oil exports were exported to the United States, followed by Chile, Peru, Panama, and India with 15.5%, 9.6%, 8.6%, and 2.2%, respectively. In 2015, 62.4% of oil exports were exported to the United States, followed by Chile, Peru, Panama, and Japan with 13.0%, 10.2%, 6.0%, and 2.4%, respectively.

PetroChina International Company, Limited, ("Petrochina") a wholly-owned subsidiary of China National Petroleum Corporation ("CNPC"), has made prepayments to Petroecuador in connection with crude oil supply agreements, including an agreement providing for prepayments of U.S.$2 billion executed in August 2013, and Unipec Asia Co., Ltd ("Unipec"), a wholly-owned subsidiary of China Petrochemical Corporation ("Sinopec"), has also made prepayments to Petroecuador in connection with crude oil supply agreements, including an agreement providing for prepayments of U.S.$2.4 billion, executed in May 2014.

In June 2015, PTT Public Company Limited, a Thai state-owned oil and gas company, executed 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 will receive initial prepayments of $600 million shortly after signing for crude oil to be delivered during the 5-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 will receive an initial prepayment of U.S.$300 million shortly after signing for fuel oil to be delivered to OTI during the 30-month term of the contract. 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.

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 390,000 bpd. In 2013, the SOTE transported 131.9 million barrels, averaging 361,568 bpd, an increase of 2.3% compared to 2012. 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.

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, and it is estimated that the oil may have reached the Amazon river and other territories or waters in Peru and Brazil. The Republic is in the process of analyzing the incident and is working closely with the governments of Peru and Brazil to contain any environmental damage that the accident may have caused. The Republic is not aware of any pending or threatened lawsuit or claim arising from this incident.

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 Hydrocarbons) 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 18^{o} to 24^{o} American Petroleum Institute degrees. In 2013, the OCP pipeline transported 53.3 million barrels, averaging 146,121 bpd, an increase of 10.2% compared to 2012. 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.

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 Amazonas) 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 barrels per day.

In 2015, the three main refineries produced 66.2 million barrels of oil derivatives including gasoline, diesel, fuel oil, jet fuel and liquefied petroleum, which represented a decrease of 0.3% compared to the 66.0 million barrels of oil derivatives produced in 2014. This decrease was caused primarily by the maintenance project in the Esmeraldas refinery, which is described below.

During 2015, the domestic consumption of oil derivatives was 92.8 million barrels, which represents an increase of 2% compared to the 94.7 million barrels in 2014. It is important to note, however, that Ecuadorian refineries do not produce sufficient oil derivatives to meet internal 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 preventive 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 preventive 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.

As of the current date, there is no private sector participation in the production of oil derivatives. However, on July 15, 2008, Petroecuador and Petróleos de Venezuela Ecuador, S.A. ("PDVSA Ecuador") formed a new entity called RDP in which Petroecuador is currently the majority shareholder (51%) and PDVSA Ecuador is the minority shareholder (49%). RDP will develop a refinery project with the same name to be built in the municipality of Manta, Manabí Province, with a total nameplate capacity of 300,000 bpd. It is expected that RDP will produce gasoline, diesel, kerosene, polypropylene, benzene, mixed xylene and LPG. The land rights and environmental licenses necessary to develop RDP have already been obtained, and a preliminary detailed feasibility study of the project is complete. The total estimated investment for RDP is approximately U.S.$15 billion. Negotiations are ongoing to provide financing for the project, although no decisions have been made as to whether the project will be financed by debt or equity or a combination of both. In the event RDP is able to obtain financing through debt for this project, it is not clear whether it would be able to do so while remaining within the 40% public debt to GDP limit as further described in "Public Sector Finances – Fiscal Policy." For a description of the risks of the limitation on further borrowing for projects like RDP, see "*Risk Factors – Risk Factors relating to Ecuador – The Republic may incur additional debt beyond what investors may have anticipated of 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 Noteholders.*" Construction has commenced and the project is scheduled to be completed by year-end 2021.

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 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 Presidential decree number 73 ("Decree 73"), which was issued in August 2005. Any future change to the profit margin would require a new Presidential decree.

Decree 73 also regulates the sales price of consumer petroleum derivatives, thereby creating consumer subsidies for gasoline and diesel products. The price of gasoline sold to consumers is fixed at U.S.$1.68 per gallon for gasoline and at U.S.$0.90 per gallon for diesel. The amount of the subsidy is thereby determined by the differential price between this fixed price of crude oil and the spot price of West Texas Intermediate ("WTI"), as determined by the New York Mercantile Exchange ("NYMEX").

Several private multinational petroleum companies, including ExxonMobil and PDVSA Ecuador, have established service stations in Ecuador. As of December 31, 2015, Petroecuador maintains a network of 45 service stations of its own and 264 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. Ecuador has 5.2 billion cubic meters of natural gas reserves, which it expects will be sufficient to meet internal demand for the next 20 years.

Since 2010, the natural gas platform at the Amistad field which was previously operated by the U.S. Company Energy Development Corp. Ecuador Ltd. ("EDC") has been managed by Petroecuador, as a result of EDC failing to reach a contractual agreement with the Government. In 2012, Petroecuador announced the discovery of approximately 28.3 billion cubic meters of natural gas in block 6 of the Amistad field in the gulf of Guayaquil. Due to the creation of four new wells and exploration drilling in this block, production increased from 49.77 cubic meters per day in 2013 to 55.91 cubic meters per day in 2014.

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.

Mining

The mining sector represents an important source of potential resources for the development of the Republic. According to information from MICSE as of December 2016, Ecuador has potential mineral reserves of 41.4 million pounds of copper, valued at U.S.$91 billion, potential gold reserves valued at U.S.$50.9 billion, molybdenum reserves valued at U.S.$5.5 billion, and silver reserves valued at U.S.$3.7 billion. In total, the nation has estimated reserves valued at U.S.$151.1 billion.

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 (0.35% in 2015, 0.33% 2014, 0.32% in 2013, 0.33% in 2012 and 0.29% in 2011). In the first six months of 2016, the mining sector represented 0.36% of GDP, compared to 0.37% of GDP for the first six months of 2015. In 2013, most production from mining was generated by domestic artisan and jeweler businesses. However, Ecuador expects mining exports to continue to increase as a result of an expansion of the nation's mining projects in 2014 and 2015. Currently, there are five projects in advanced stages of completion – two copper mines and three gold mines. Project Mirador is the largest copper project in Ecuador. The copper mine in the Zamora Chinchipe province is expected to begin production in 2018.

Project Mirador is financed in part through a U.S.$2,040 million concession to Ecuacorriente S.A., a joint-venture owned by the Chinese companies China Railway Construction Corporation ("CRCC") and Tongling Nonferrous Metals Group. Investment in the project will be made by Ecuacorriente S.A. over a 15-year period, with 50% of the amount coming in the first seven years. The Government estimates that the project will produce 30,000 tonnes per day during the first three years, increasing afterwards to 60,000 tonnes per day. 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 is expected to start operations in 2018. The Rio Blanco project is a gold and silver mining project located in the Azuay Province which will start operations in the second half of 2017. Other projects, mostly in the south of the country, are in different stages of negotiation and completion.

Electricity and Water

As of 2014, hydroelectric plants supplied approximately 46% of the power in Ecuador. By year-end 2016, the Government predicts that hydroelectric plants will generate 93% of the power in Ecuador, compared to 45.6% in 2014. This is expected to be achieved through 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 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, thereby eliminating the need for a gas subsidy.

The 1,500 MW Coca Codo Sinclair plant will be Ecuador's largest hydroelectric project. It is expected to generate an average of 8.73 GWh per year and supply approximately 30% of the country's electricity needs. In November 2016, all eight turbines in the plant became operational, generating 1,500MW of power, or 30% of Ecuador's electricity needs. On October 19, 2016, two additional turbines in the Coca Codo Sinclair plant became operational. The two turbines generate 180MW each, and bring the total production of the Coca Codo Sinclair plant to approximately 1,113MW. On the same day, the Vice President Jorge Glas announced that the two final turbines of the plant will become operational before the end of 2016. The plant is set 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 will join the existing infrastructure of hydroelectric plants that include the 160 MW Mazar plant in the Azuay province, the 1,075 MW Paute-Molino plant near Cuenca, the 275 MW Minas San Francisco plant, the 50 MW Quijos plant, and the 487 MW Sopladora and Cardenillo plants planned along the Paute River. Many of these hydroelectric projects are financed through agreements with bilateral lenders, including the 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 together provide an additional U.S.$50 million to finance the Manduriacu hydroelectric power plant.

The construction of these hydroelectric plants is due to an enhanced effort by the Government to invest in the sector. In 2015, the Government invested U.S.$1,566 million in the electricity sector, a 43% increase from 2011, when the Government invested U.S.$1,094 million in the sector. Construction on the new line of hydroelectric plants continued in 2016 including the 115MW Delsitanisagua hydroelectric plant and the 254.4 MW Toachi Pilaton hydroelectric plants, and the construction of a reservoir in the Minas San Francisco project.

In March 2014, President Correa announced a new program to substitute electricity use for gas use. Under this program, beginning in November 2014, the Government began to sell subsidized stoves to replace gas stoves. President Correa has stated that the use of electric stoves will 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.

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, *Secretaria de Agua*, currently has invested U.S.$1,130 million out of a planned U.S.$2,100 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.$20.3 million project sets out to construct a dam to alleviate the flood conditions of the region. The project will also construct a drain system, which will serve for irrigation purposes and provide a drinking water supply for Manabí.

Other water projects include: (i) the Cañar Naranjal project, which is expected to cost U.S.$319 million to protect approximately 40,553 hectares along the Cañar River and its adjoining streams through a system of levees, including a 12-kilometer bypass, (ii) four new bridges, (iii) a flood regulatory system and (iv) the U.S.$352 million Daule-Vinces project that is expected to redirect water from the Daule River and transport it along a 70 kilometer canal to dry farmlands.

These flood control projects will 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 2015, the electric and water sectors contributed a total of U.S.$1,421 million to GDP, an increase compared to U.S.$1,201 million in 2014. Since 2011, the sectors represent an average of approximately 1.2% of GDP per year. For the first quarter of 2016, the electric and water sectors contributed a total of U.S.$364 million to GDP, an increase compared to U.S.$343 million for the first quarter of 2015.

Telecommunications

In 2007, only 8.47% of the Ecuadorian population was connected to the Internet. Under President Correa's administration, the average percentage of Internet users has increased to 108.7% per every 100 inhabitants as of March 2016. Similarly, 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 2011, the telecommunications sector accounted for U.S.$1,812 million of GDP. This amount steadily increased through 2014, when the telecommunication sector accounted for U.S.$2,175 million of GDP. In 2015, the telecommunications sector decreased and accounted for U.S.$2,152 million. From 2011 through 2015, the telecommunications sector represented an average of approximately 2.18% of GDP per year. In 2015, the Government invested U.S.$305 million in the sector, an increase compared to U.S.$294 million in 2014. For the first six months of 2016, the telecommunications sector accounted for U.S.$876 million of GDP, a decrease compared to U.S.$1,053 million for the first six months of 2015.

In 2008, Ecuador granted Spain's Telefónica (currently operating in Ecuador as "Movistar") and Mexico's América Móvil (currently operating in Ecuador as "Claro") fifteen-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. For more information on the Telecommunications Law, see "The Ecuadorian Economy – Economic and Social Policies – Telecommunications Law."

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 nation'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. Ecuador also exports significant amounts of coffee, flowers, and cacao. The agricultural sector constituted an average of 7.67% of GDP per year for the years 2011 through 2015. In the first six months of 2016, the agricultural sector represented 8.57% of GDP, an increase compared to 8.34% for the first six months of 2015.

Between 2011 and 2015, the volume of Ecuador's banana exports increased by 25%. In 2012, the value of Ecuador's banana exports decreased by 7.5%, primarily as a result of difficult growing conditions for that year. However, the value of these exports increased by 11.8% in 2013 when growing conditions returned to normal and 10.9% and 9.0% in 2014 and 2015, respectively. In the first nine months of 2016, banana exports totaled U.S.$2,039 million, a 4.2% decrease from U.S.$2,128 million in the first nine months of 2015.

Ecuador also exports significant amounts of cacao. Cacao exports were U.S.$474 million in 2011. In 2012, the value of cacao exports decreased to U.S.$345 million due to difficult growing conditions for that year. However, exports increased to U.S.$423 million in 2013 when growing conditions returned to normal. With continued normal growing conditions, cacao exports reached U.S.$576 million in 2014 and increased to U.S.$693 million in 2015. In the first nine months of 2016, cacao exports totaled U.S.$389 million, a 16.0% decrease from U.S.$463 million in the first nine months of 2015.

Flowers and flower products are among one of the newest, but fastest growing exports for Ecuador, making up 4.5% of Ecuador's total exports in 2015. Flower exports were U.S.$676 million in 2011, U.S.$714 million in 2012, U.S.$830 million in 2013 and U.S.$918 million in 2014. In 2015, flower exports decreased by 12% to U.S.$820 million primarily as a result of the strengthening of the dollar which made Ecuador's flowers more expensive compared to Colombian flowers. In the first nine months of 2016, flower exports totaled U.S.$619 million, a 3.7% decrease from U.S.$643 million in the first nine months of 2015.

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. The amount of shrimp exports steadily rose in the period from 2011 to 2014, growing from U.S.$1,178 million in 2011 and reaching U.S.$2,513 million in 2014. In 2015, shrimp exports totaled U.S.$2,280 million, a 9.3% decrease from 2014. This decrease is due to the phenomenon of El Niño, which took place in 2015, as well as a decrease in exports to Asia. In the first nine months of 2016, shrimp exports totaled U.S.$1,887 million, an 11.7% increase from U.S.$1,689 million in the first nine months of 2015. This increase was due to the recovery of the price of shrimp caused by a decrease in shrimp exports from India and Vietnam. Fishing exports, other than shrimp, decreased from U.S.$257 million in 2011 to U.S.$231 million in 2015. In the first nine months of 2016, fishing exports, other than shrimp, totaled U.S.$178 million, a 4.8% decrease from U.S.$187 million in the first nine months of 2015. This decrease is due to the impact of prolonged climate change on the Ecuadorian coast.

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 12.20%, 12.21%, 12.59%, 13.57% and 13.79% to the GDP, per year for the years 2011, 2012, 2013, 2014 and 2015 respectively. The manufacturing sector also contributed 13.78% and 14.06% to the GDP for the first six months of 2015 and 2016, respectively.

Ecuador's main manufactured, non-petroleum exports are canned seafood, automobile assembly, processed cocoa, and processed coffee. The manufacturing sector has grown an average of 9.8% per year between 2011 and 2015. During 2011, 2012, 2013 and 2014, manufacturing grew by 12.4%, 11.1%, 9.8%, and 14.5%, respectively. In 2015 manufacturing grew by 1.2%, reaching U.S.$13,815 million. Manufacturing decreased by 2.1% from U.S.$6,963 million in the first six months of 2015 to U.S.$6,814 million in the first six months of 2016. According to reports from the Central Bank, 2011 saw an increase in the amount of credit extended towards manufacturing activities. This lead to a substantial growth in the sector, particularly in the production of dairy products, wheat products, beverages, and the processing and conservation of meat, among others, which contributed to the 12.4% increase in that year. The slowdown in growth to 1.2% in 2015, and the decrease in growth of the manufacturing sector were due to the general slowdown of the economy in Ecuador for those periods.

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. For more information, see "Balance of Payments and Foreign Trade – Foreign Trade – Trade Policy." By the end of 2015, 27% of Ecuador's non-petroleum exports were sold in the European Union, and 15.1% of all of Ecuador's exports were sold in the European Union.

Construction

The construction sector accounted for 10.53% of GDP in 2013, 10.67% in 2012, and 10.23% in 2011. In 2015, the construction sector accounted for 10.70% of GDP, compared to 10.63% in 2014. For the first six months of 2016, the construction sector accounted for 9.92% of GDP compared to 10.89% for the first six months of 2015.

In 2014, construction activity continued to increase in real terms, growing by 7.3%, compared to 8.3% in 2013 and 12.2% in 2012. In 2015, construction activity decreased by 0.6% in real terms compared with 2014, and for the first six months of 2016, construction activity decreased by 10.2% in real terms compared with the corresponding period in 2015. These decreases in construction activity were due to a decrease in public construction projects. In 2014, approximately U.S.$1,029 million worth of raw materials used for construction were imported, an increase from 2013 when U.S.$928 million worth of raw materials used for construction were imported. In 2015, U.S.$611 million worth of raw materials used for construction were imported, a decrease from 2014. 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 nation's infrastructure projects, particularly the development of new oil fields, and the hydroelectric and flood control projects of the past seven years.

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 expected to be completed in 2028. Yachay is a 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 China Exim Bank to finance the first phase of Yachay.

Tourism

Ecuador's tourism industry has steadily grown over the past five years. In 2011, 1.14 million tourists visited the country. The figure increased to 1.27 million in 2012, 1.36 million in 2013, and 1.56 million in each 2014 and 2015. In 2015, the largest population of tourists came from Colombia, followed by the United States, and then Peru. There is also a significant number of U.S. expatriates and retirees who currently reside in the country.

The steady increase in tourism over the last five years is in large part due to promotional campaigns instituted by the Ministry of Tourism. In 2010, the "Ecuador loves life" campaign was launched in England, Germany, France and the United States. A second campaign, the "I discovered" campaign, was launched in 2011, and a third campaign, the "All you need is Ecuador" campaign, was launched in 2014. As part of this campaign, Ecuador became the first government to advertise during the Super Bowl, airing a thirty second spot during the 2015 event. The Ministry also provides financing and logistics advice to local businesses that cater to tourists such as tours and adventure companies. The 2015 annual budget allocated U.S.$110.7 million to the Ministry of Tourism for tourism promotional campaigns and other initiatives to promote tourism.

Transportation

In 2015, the Government invested a total of U.S.$1,119 million in roads and highways, a decrease of 20% from the previous year, when total investment was U.S.$1,400 million. 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.

The 2016 budget allocates U.S.$681 million for all Government transportation projects including airport, road, and various municipal construction and maintenance projects. Two recent significant projects have recently been financed along with the municipality of Quito. 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 underway since 2012. This metro system is expected to connect the northern business and resident areas of Quito to Quito's historic city center. The project is budgeted to cost U.S.$1,680 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, a U.S.$259 million loan from the European Investment bank, which was increased by U.S.$44,152,000 in November 2016 , a U.S.$200 million loan from the IDB and a U.S.$200 million loan 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 executed 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 has increased from U.S.$264 for 2011 to U.S.$354 for 2015. The announcement of the minimum wage applicable for 2016 was made in December of 2015 and was set at U.S.$366 per month. Public sector employee wages are based on the wage scale determined by the *Ministerio de Relaciones Laborales* ("Ministry of Labor Relations"). The following table shows the increase in minimum wage from 2011 to 2016.

Monthly Minimum Wage [1]
(in U.S.$)

2011	2012	2013	2014	2015	2016
264	292	318	340	354	366

Source: Ministry of Labor Relations.

(1) Minimum wages set at the beginning of each year.

Private employee salaries received a boost with the introduction of the "Living Wage" into the Labor Law. Enacted in December 2010, this law dictates that any company that generates a profit shall 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)

	For the year ended December 31,					As of September 30,	
	2011	2012	2013	2014	2015	2015	2016
Total Population[1]	15,266	15,520	15,775	16,027	16,279	16,215	16,466
Labor Force [2].................................	10,533	10,864	11,200	11,159	11,399	11,318	11,639
Labor Force Participation [3]	6,582	6,701	6,953	7,195	7,499	7,600	8,057
Labor Force Participation Rate.......	62.49%	61.68%	62.08%	64.47%	65.78%	67.15%	69.22%
Employed Labor Force	6,305	6,425	6,664	6,921	7,141	7,274	7,638
Unemployed Labor Force..............	277	276	289	273	357	325	419
Unemployment Rate [4]	4.21%	4.12%	4.15%	3.80%	4.77%	4.28%	5.20%

Source: *Based on figures from INEC as of September 2016.*

(1) Total population numbers based on yearly projections from 2010 census.

(2) Refers to population above minimum working age (15 years old), whether or not they are willing to work.

(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 Labor Relations 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 2011 to 2015, the unemployment rate increased by 0.56 percentage points. Underemployment, or individuals who are unable to obtain full-time work to receive a salary meeting the official minimum wage, decreased from 49.29% to 48.09% during this time as well. During 2011 and 2012, unemployment decreased to 4.21% and 4.12%, respectively. In 2013, unemployment slightly increased to 4.15%, then decreasing to 3.80% in 2014 due to increased job creation in the services and commerce industries. In 2015, the unemployment rate increased to 4.77% due to a general slowdown of the economy in 2015 that led to job losses in both the private and public sectors. The rate of unemployment increased to 5.20% as of September 30, 2016 due to a continued slowdown of the economy.

The rate of individuals who are unable to obtain full-time work to receive a salary meeting the official minimum wage, or underemployment, also steadily decreased from 49.47% in 2011 to 47.17% and 47.77% in 2012, and 2013, respectively. The underemployment rate continued to decrease to 46.69% in 2014 but increased in 2015 to 48.09%.

The sectors that registered the greatest reduction in employment in the period from 2011 to 2015 were the agriculture sector with 2.89 %, and the commerce sector with 1.52%. The labor force participation rate of the Ecuadorian economy increased by an aggregate of 3.29 percentage points, from 2011 to 2015 while unemployment increased by 0.56%. Underemployment decreased by 1.20% in the same time period.

The following table sets forth information regarding the unemployment and underemployment rates, and real minimum wages for the periods presented:

Wages and Unemployment

	For the Year ended December 31,					As of September 30,	
	2011	2012	2013	2014	2015	2015	2016
Unemployment rate (% of economically active population)[1]	4.21	4.12	4.15	3.80	4.77	4.28	5.20
Underemployment rate (% of economically active population)[2]	49.67	47.15	47.77	46.69	48.09	49.2	55.40

Source: Based on figures from INEC as of September 2016.

(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 (Monthly) [1]

(in U.S. dollars)

	Average Wage	Oil and Mining	Agriculture[2]	Services[3]	Manufacturing	Tourism[4]
2011	295.70	340.81	263.30	424.05	247.28	326.86
2012	345.50	479.73	302.90	493.10	282.78	372.86
2013	374.90	510.80	340.00	551.21	313.20	398.24
2014	416.5	704.93	373.00	560.00	341.30	424.10
2015	422.80	715.46	398.70	535.10	352.20	446.00

Source: Based on figures from INEC.

(1) These figures include mixed income (wage and non-wage income) by economic sector per month as of the date indicated. Methodology to compute the data is based on all wages earned by individuals in a month. For the purposes of this data, there is no distinction made between full-time and part-time workers.

(2) Represents industrial production of agricultural products.

(3) Services include water and electric.

(4) Tourism includes hotels and restaurants.

Poverty

In recent years, Ecuador has seen decreases in levels of urban and rural poverty. The urban poverty rate decreased from 17.4% to 15.7% between 2011 and 2015, while the rural poverty rate decreased from 50.9% to 39.3% across the same time frame. Extreme poverty rates have also decreased, from 5.0% of all urban households in 2011 to 4.4% of all urban households in 2015, and from 24.6% of all rural households in 2011 to 17.0% of all rural households in 2015. At the same time, the total extreme poverty rate decreased from 11.6% in 2011 to 8.5% in 2015. The rate of poverty increased from 22.0% as of June 30, 2015 to 23.7% as of June 30, 2016.

The Republic believes this decrease in poverty is partially the result of a significant expansion of the *bono de desarrollo humano* (“BDH”), a cash transfer program for those in the lower 40% of income distribution who are either mothers of children under the age of 16, above the age of 65, or disabled. Currently, the BDH transfers U.S.$50 a month to qualifying individuals.

The following table shows the percentage of households in poverty for the periods indicated.

Percentage of Households in Poverty

	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 2011	17.4	50.9	28.6	5.0	24.6	11.6	22.1	73.7	39.4
December 2012	16.1	49.1	27.3	5.0	23.3	11.2	20.1	70.3	37.0
December 2013	17.6	42.0	25.6	4.4	17.4	8.6	25.7	65.7	38.7
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	n/a	n/a	n/a
June 2015	14.4	38.0	22.0	3.8	14.9	7.4	n/a	n/a	n/a
June 2016	15.6	40.9	23.7	3.9	18.6	8.6	n/a	n/a	n/a

Source: Based on figures from INEC as of June 2016.

(1) Persons whose income is below the poverty line. As of December 31, 2015, the poverty line, as determined by Ecuador, is U.S.$83.79/month, per household.

(2) As of December 31, 2015, the extreme poverty line is U.S.$47.22/month per household.

(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* (the 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 Naciónal* (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 2016 is U.S.$183.

Retirees benefit from the IESS system once they have left employment. As of December 2015, IESS, ISSFA and ISSPOL had 9.2 million, 1.1 million and 0.2 million beneficiaries, respectively. In 2015, total non-financial public sector contributions to social security were U.S.$5.0 million, or 5.1% of GDP, an increase from U.S.$4.7 million, or 4.7% of GDP in 2014. IESS's beneficiaries include 3.1 million affiliates, 0.4 million pensioners, 4.4 million dependents, 1.1 million people covered through rural social security and 0.03 million people that receive benefits related to work related risks. For 2015, IESS's expenditures totaled approximately U.S.$6 billion.

Under Article 372 of the 2008 Constitution, the *Banco del Instituto Ecuatoriano de Seguridad Social* (the Social Security Institute Bank of Ecuador or "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 3 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, 2015, BIESS is the largest holder of Government securities, with 45.31% of its portfolio investment, or U.S.$7,631 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 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.

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 education initiatives. Education initiatives include the continued 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.

Education is mandatory in Ecuador until the age of 14. The literacy rate for adults over fifteen years of age was 94.2% in 2015, and has been above 90% since 2004.

Health

The 2016 annual budget allocated U.S.$2.4 billion 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.

Occidental - Breach of Contract Claim

In May 1999, *Empresa Pública de Hidrocarburos del Ecuador* ("Petroecuador") and Occidental Exploration and Production Company ("Occidental") entered into a participation agreement for the exploration and exploitation of hydrocarbons in Block 15, in the Oriente region. On September 15, 2004, Petroecuador sent Occidental a notice of breach alleging various grounds for forfeiture of the participation agreement, including the unauthorized assignment of 40% of Occidental's rights and obligations thereunder to Canadian oil company Encana. Block 15 is one of Ecuador's most productive oil fields. In May 2006, the Ministry of Energy and Mines declared the participation agreement with Occidental to be terminated due to its alleged breach of the Hydrocarbons Law. As a result, all of Occidental's assets were transferred to the Republic. In May 2006, Occidental filed a claim before the International Centre for the Settlement of Investment Disputes ("ICSID") against Ecuador in an amount of U.S.$3.3 billion, claiming that the termination of the participation agreement constituted the "equivalent of expropriation," in violation of the U.S.-Ecuador Bilateral Investment Treaty, and that the forfeiture of the participation agreement was litigated for political reasons rather than due to an illegal assignment.

On October 5, 2012, the ICSID arbitral panel issued an arbitral award in favor of Occidental in the amount of U.S.$1.7 billion, plus interest, but it also found that Occidental's assignment to Encana was made in violation of Ecuadorian law. The arbitral panel calculated the amount based on the full value of the contract, with a reduction of 25% due to such violation. On October 9, 2012, Ecuador filed a petition for a stay of the enforcement of the arbitral award until an annulment procedure could be carried out. The petition was registered with ICSID on October 11, 2012. On January 18, 2013, ICSID appointed an ad hoc panel to resolve the petition for the stay and consider a petition for annulment. The first meeting of the panel took place on March 25, 2013. On May 13, 2013, the panel met to consider a February 13, 2013 petition by Occidental to lift the currently effective stay of the arbitral award. In a September 30, 2013 decision, the panel ratified the stay of the award and held that it should continue unconditionally.

On August 12, 2013, Ecuador submitted its brief of annulment. On October 18, 2013, Occidental presented its response, arguing that there was no basis for an annulment. Ecuador presented its reply on January 6, 2014 and Occidental submitted its rejoinder on February 28, 2014. The hearing concerning annulment took place between April 7 and April 10, 2014.

On November 2, 2015, the ad hoc panel partially annulled the October 5, 2012 arbitral award, finding that the unauthorized assignment of 40% of Occidental's rights under the participation agreement was made in violation of Ecuadorian law and therefore limited the arbitration award to U.S.$1.06 billion, plus interest. Subsequent to this finding, on November 4, 2015, the U.S. District Court for the Southern District of New York issued an order, at the petition of Occidental, recognizing the award as a final judgment of the court.

In January 2016, Ecuador and Occidental entered into a settlement agreement. As a result, no further actions have been taken in court proceedings in New York to enforce the award. In the settlement agreement, Ecuador agreed to pay a total of U.S.$980 million to Occidental in a series of installments. In June 2016, Ecuador paid the final installment to Occidental. Occidental agreed to release all claims and accept such payments as a final settlement of all amounts payable pursuant to the arbitral award.

Chevron

In 2006, Chevron brought arbitration proceedings against the Republic under the arbitration rules of the United Nations Commission on International Trade Law ("UNCITRAL") 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. The tribunal accepted the position of Ecuador that any amount received by Chevron should be subject to the payment of a tax at a rate of 87.31% (the preliminary arbitral award was approximately U.S.$700 million) and deducted the tax amount due to Ecuador from the preliminary arbitral award of U.S.$700 million. Consequently, Ecuador filed a petition to annul the arbitral award before the District Court of The Hague, which was denied on May 2, 2012. Ecuador presented an appeal to the District Court decision, and on May 13, 2013, the Appellate Court of The Hague heard the arguments of the parties on appeal and rejected Ecuador's appeal on June 19, 2013. In September 18, 2013, Ecuador presented an appeal to the Supreme Court of the Netherlands, which held hearings on February 28, 2014 and denied Ecuador's appeal on September 26, 2014.

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 March 25, 2013, Ecuador filed its brief in opposition with the court, and on April 25, 2013, Chevron filed its response. On June 6, 2013 the District Court confirmed the award in favor of Chevron. Ecuador filed an appeal on July 1, 2013, to which Chevron filed an opposition brief on August 19, 2013. 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 September 6, 2013, because Ecuador did not have substantial assets in the District of Columbia, Chevron filed a motion to enable it to register the district court award "in any other district" in the United States. Ecuador objected, arguing that Chevron should be permitted to register the award only in "those districts for which Chevron has provided sufficient evidence that Ecuador has substantial assets." On October 29, 2013, the District Court of the District of Columbia granted Chevron's motion to register the award in any other district. On June 11, 2014, Ecuador appealed the District Court decision. Chevron filed a response to this appeal on July 18, 2014 and Ecuador filed a reply on August 8, 2014. On August 4, 2015, the United States Court of Appeals for the District of Columbia Circuit affirmed the District Court decision. On February 25, 2016, Ecuador filed a petition for a writ of certiorari requesting that the United States Supreme Court review the decision of the Court of Appeals. On June 6, 2016, the United States Supreme Court denied the Republic's writ of certiorari.

On a separate matter, in September 2009, Chevron filed a 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. On January 25, 2012, the arbitral tribunal issued an interim award that ordered Ecuador to take all available measures to suspend the enforcement or recognition of the claims in the Lago Agrio case in Ecuador and abroad. On February 16, 2012, the tribunal issued a second interim award ordering Chevron to compensate Ecuador for the costs Ecuador incurs in performance of its obligations under the interim awards, and ordered Chevron to post a bond in the amount of U.S.$50 million to secure payment of the same. The plaintiffs for the Lago Agrio case, in November 2012, obtained the seizure of certain bank accounts of Chevron in Argentina and the seizure of Chevron's interests in its Argentine subsidiaries. In a third interim award dated February 27, 2012, the arbitral tribunal held that it had jurisdiction to hear the claim. In a fourth interim award dated February 7, 2013, the arbitral tribunal resolved that Ecuador has not complied with the decisions from the previous awards, and that each party shall argue whether Ecuador must reimburse Chevron for any expenses related to the enforcement proceedings. The arbitration tribunal has divided the merits of the case into three tracks. The first track will decide issues relating to the 1995 Settlement and the obligation of Ecuador to indemnify Chevron from third party claims. The second track 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, the third track 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." According to the arbitral tribunal, the 1995 Settlement bars claims that Ecuador might raise in the exercise of their own rights, but does not bar to claims by third parties acting independently from the state in the exercise of their individual rights. It also held that the 1995 Settlement did not contain an indemnity provision that required the Republic to be held liable for any costs or any judgment rendered against Chevron. However, the arbitral tribunal held that Chevron was a "released party" under the 1995 Settlement. The arbitration tribunal did not decide on the claims of breach of the 1995 Settlement. In response, on January 7, 2014, Ecuador filed a writ of summons in the District Court of the Hague requesting an order setting aside the September 17, 2013 partial award and of the previous interim awards. The District Court of the Hague held a hearing regarding Ecuador's writ of summons on November 2015 and rejected Ecuador's request in a decision issued on January 20, 2016. Ecuador is currently preparing to appeal the decision.

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 May 9, 2014, Chevron submitted a supplemental brief regarding the second track issue of the alleged violations of the Ecuador-US Bilateral Investment Treaty, explaining the relevance of certain prehearing exhibits.

On November 7, 2014, Ecuador filed a written response to Chevron's supplemental brief on track 2, to which Chevron replied on January 14, 2015. Ecuador in turn filed a supplemental rejoinder brief on March 17, 2015. A telephone conference regarding procedural matters took place on March 27, 2015. Hearings on the track 2 issues relating to the supplemental briefs took place in Washington, D.C. from April 21 to May 8, 2015. The result of the track 2 hearing is pending. The parties submitted briefs on the final report of a forensic computer expert on August 12, 2016 and August 26, 2016 and presented their positions on the relevance of the August 8, 2016 decision of the Southern District of New York Court of Appeals on the RICO action: Chevron v. Donziger *et. al.* on August 16, 2016 and August 18, 2016. The tribunal has indicated that it will issue a decision with respect to track 2 after the submission of such briefs. The tribunal has not yet issued a decision.

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:

Burlington Resources, Inc.

Burlington filed an arbitration claim before ICSID in April 2008 against Ecuador, seeking compensation for alleged modifications to its contracts for the development of Blocks 7 and 21 in Ecuador imposed by Ecuadorian law 42-2006. Burlington argued that such unilateral modification resulted in an expropriation of the blocks that Burlington was operating, although, subsequent to the commencement of the proceedings, Burlington withdrew the contractual claims and based all claims solely on violations of the U.S.-Ecuador Bilateral Investment Treaty. On September 30, 2011, Ecuador filed two counterclaims against Burlington for environmental damage and failure to maintain the facilities of Blocks 7 and 21, in an approximate amount of U.S.$2 billion. On December 14, 2012, the tribunal decided the liability issue in favor of Burlington and consequently, on January 28, 2013, Ecuador submitted a petition for reconsideration. The arbitral tribunal was scheduled to meet for a hearing on damages and Ecuador's counterclaims in August 2013, but the hearings were suspended due to the request by Ecuador that one of the arbitrators recuse himself from the decision because of a conflict of interest. Burlington presented its assessment of damages memorandum on June 24, 2013, to which Ecuador responded on May 23, 2014. The tribunal held a hearing regarding damages from March 2 to March 6, 2015 in Paris, after which both parties presented their post-hearing briefs on May 29, 2015. Ecuador and Burlington expect the tribunal to deliver its decision with respect to the hearing on damages in December 2016.

Hearings for the counterclaims took place from June 1 to June 7, 2014 in Paris. The parties presented their post-hearing briefs on October 3, 2014 and, in an effort to assess the validity of the counterclaims, the tribunal visited Blocks 7 and 21 in April 2015. The parties presented their post-visit briefs on July 15, 2015. The result of the hearing regarding the counterclaim is pending.

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 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 July 18, 2014, the tribunal decided the claim in favor of Perenco and is currently determining the procedural schedule for the assessment of 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 March 13, 2013, the parties presented their respective memoranda to the arbitral tribunal. Hearings took place from September 9 to September 17, 2013. 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. The independent environmental expert appointed by the tribunal expert has not released any findings, but concluded his visit to Blocks 7 and 21 on November 5, 2016.

Murphy Ecuador Oil Company, Ltd.

Murphy Ecuador Oil Company, Ltd. ("Murphy") has claimed that law 42-2006 modified its contracts for exploration and production of crude oil in Ecuador, resulting in an expropriation and a violation of the U.S.-Ecuador Bilateral Investment Treaty. Murphy filed its ICSID arbitral claim against Ecuador on September 30, 2011. In November 2013, the arbitral tribunal rejected Ecuador's objection to jurisdiction. Ecuador submitted its response to merits and jurisdiction to the arbitral tribunal on May 4, 2014. Hearings on the matter took place from November 17-21, 2014 in Washington, D.C. The post-hearing briefs were submitted by both parties on January 9, 2015. At the request of the arbitral tribunal, both parties submitted their briefs regarding costs on January 15, 2016. A partial final award against Ecuador was rendered on May 6, 2016, ordering the payment of U.S.$19 million in damages and the arbitration cost of 5 million euros. The tribunal also held that the parties must submit their calculation of the fair market value of Murphy's property in Ecuador for the tribunal's consideration. On July 29, 2016, the parties in the case of Murphy Ecuador Oil Company, Ltd. presented their briefs on the fair market value of Murphy's property in Ecuador. The tribunal informed the parties that no additional briefs may be submitted and that it will issue its decision in September 2016. The tribunal has not yet 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 of Filanbanco S.A, Ecuador's largest bank at the time of its bankruptcy in 2001. Arguing before a U.S. federal 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 federal court judge granted summary judgment against Ecuador. On August 28, 2013, Ecuador filed for appeal in the U.S. Court of Appeals for the Third Circuit. On July 2, 2014, the Third Circuit ruled in favor of Ecuador, reversing the federal court's decision and finding the defendants liable for the losses of Filanbanco S.A. The defendants petitioned the Third Circuit for a hearing to review the July 2, 2014 decision, which the Third Circuit granted. On August 6, 2014, the defendants submitted their brief in support of their petition, which was denied by the Third Circuit court on September 16, 2014.

Upon remand, the federal court, in an October 15, 2015 decision, held that the ten-year statute of limitations on the action had expired. On November 12, 2015, Ecuador notified the federal court that they would appeal this decision. On November 16, 2015, the defendants filed a motion for costs and fees. On January 11, 2016, the federal court issued an order deferring the decision regarding costs and fees until after the appeal is decided. Ecuador presented its motion to appeal on March 11, 2016. The defendants presented their response to Ecuador's appeal on October 8, 2016. Ecuador was given until January 6, 2017 to file its brief in response.

Copper Mesa

On January 21, 2011, Ecuador was notified of an arbitration proceeding by Copper Mesa for a breach of the Canada-Ecuador Bilateral Investment Treaty based on the termination of the Junin, Chaucha and Telinbela concessions. Copper Mesa claimed indemnification for no less than U.S.$120 million. Hearings to determine jurisdiction were held in September 2013, December 2013 and January 2014. The proceedings were concluded on March 12, 2014.

On March 15, 2016 the arbitration tribunal concluded that Ecuador breached the Canada-Ecuador Bilateral Investment Treaty by expropriating certain assets of Copper's Mesa in Ecuador. The arbitration tribunal, however, reduced the total indemnification owed to Copper Mesa to U.S.$11,184,595 for the Junin concession and U.S.$8,262,899 for the Chauca concession. The arbitration tribunal rejected Copper Mesa's argument regarding the Telinbela concession.

Zamora Gold

On July 7, 2011, Ecuador was notified of an arbitration proceeding for allegedly depriving Zamora Gold of its investments in violation of the Canada-Ecuador Bilateral Investment Treaty. Since then, the plaintiff has not taken further action. The amount of the claim has not yet been determined.

RSM Production Corporation

On May 13, 2010, Ecuador was notified of an arbitration proceeding for allegedly cancelling a mining license held by RSM Production Corporation in violation of the U.S.-Ecuador Bilateral Investment Treaty. Since then, there has not been further action by the plaintiff. The amount of the claim has not yet been determined.

Merck Sharp & Dohme

On February 2, 2011, Merck Sharp & Dohme ("Merck") filed a claim against Ecuador alleging denial of justice for not having provided judicial guarantees in a judgment initiated against Merck by the Ecuadorian company NIFA S.A. (currently PROPHAR, S.A.) in violation of the U.S.-Ecuador Bilateral Investment Treaty. The amount of the claim in the international tribunal has not yet been determined. On May 22, 2014, the international tribunal scheduled the hearing in London for March 16 and 20, 2015. The result of the hearing is pending.

On February 5, 2016, Merck filed a petition requesting that the arbitration tribunal set forth certain measures to protect Merck from an unjust final judgment in Ecuador. On May 7, 2016, the arbitration tribunal accepted Merck's petition and ordered that Ecuador guarantee that a final judgment shall not be enforceable in Ecuador until the arbitration tribunal issues its final decision on the matter.

On August 4, 2016, the National Court of Justice ordered Merck to pay U.S.$42 million with respect to the judgment initiated against Merck by NIFA S.A. The international tribunal subsequently ordered that the parties submit their briefs regarding the National Court of Justice's order by September 26, 2016 and make themselves available for a hearing in The Hague on October 3, 2016 or October 12, 2016. The parties were ordered to present their post-hearing briefs on November 16, 2016.

Hutchison Port Investments Ltd

In 2012, Ecuador 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 to the Manta Port Authority. Ecuador 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.

Arch Trading Corp.

On June 26, 2013, Arch Trading Corp. and four other media companies filed a claim against the Republic of Ecuador and two other governmental entities for the alleged seizure of over 200 companies owned by the plaintiffs. The plaintiffs allege that they suffered damages exceeding U.S.$1 billion dollars and request monetary damages plus interest and attorney's fees. Ecuador was served with notice on March 20, 2014. Ecuador filed a motion to vacate with the U.S District Court for the Southern District of New York on July 3, 2014. Hearings took place on July 31, 2014. On September 5, 2014, Ecuador filed a motion to vacate on the basis of jurisdictional objections, which was granted by the U.S. District Court on May 29, 2015. Arch Trading filed its motion to appeal on August 26, 2015 to which Ecuador presented its reply on September 23, 2015. On January 5, 2016, the Court of Appeals held a hearing regarding Arch Trading's motion to appeal. The result of the hearing is pending.

Ecuador TLC, Cayman International, and Teikoku Oil

On February 26, 2014, Ecuador TLC, Cayman International, and Teikoku Oil filed a breach of contract arbitration claim against Ecuador in the Permanent Court of Arbitration in the Hague for an amount of U.S.$808.3 million plus interest. The claim is connection with an oil-field exploration contract that was terminated by Ecuador because the plaintiffs did not agree to the new renegotiated terms. See "The Ecuadorian Economy – Economic and Social Policies – Renegotiation of Oil Field Contracts." Ecuador presented its response brief on March 21, 2016 and Ecuador TLC presented its response on June 20, 2016.

GMO Trust

On December 12, 2014, GMO Trust issued proceedings against the Republic in respect of an alleged U.S.$15,876,000 holding of the 2030 Bonds. GMO voluntarily withdrew its complaint pursuant to a settlement agreement between the parties. A stipulation dismissing the complaint was filed on March 16, 2015; under that stipulation, the case cannot be re-filed.

Daniel Penades

On January 30, 2015, Daniel Penades issued proceedings against the Republic in respect of an alleged U.S.$455,000 holding of the 2030 Bonds in the United States District Court for the Southern District of New York. Ecuador was served with a notification of the claim on September 16, 2015. On January 15, 2016, Ecuador filed a motion to dismiss. On September 30, 2016, the United States District Court for the Southern District of New York granted Ecuador's January 15, 2016 motion to dismiss the Penades complaint and ordered the case closed. On October 27, 2016, Penades filed a notice of appeal with the Southern District of New York to the United States

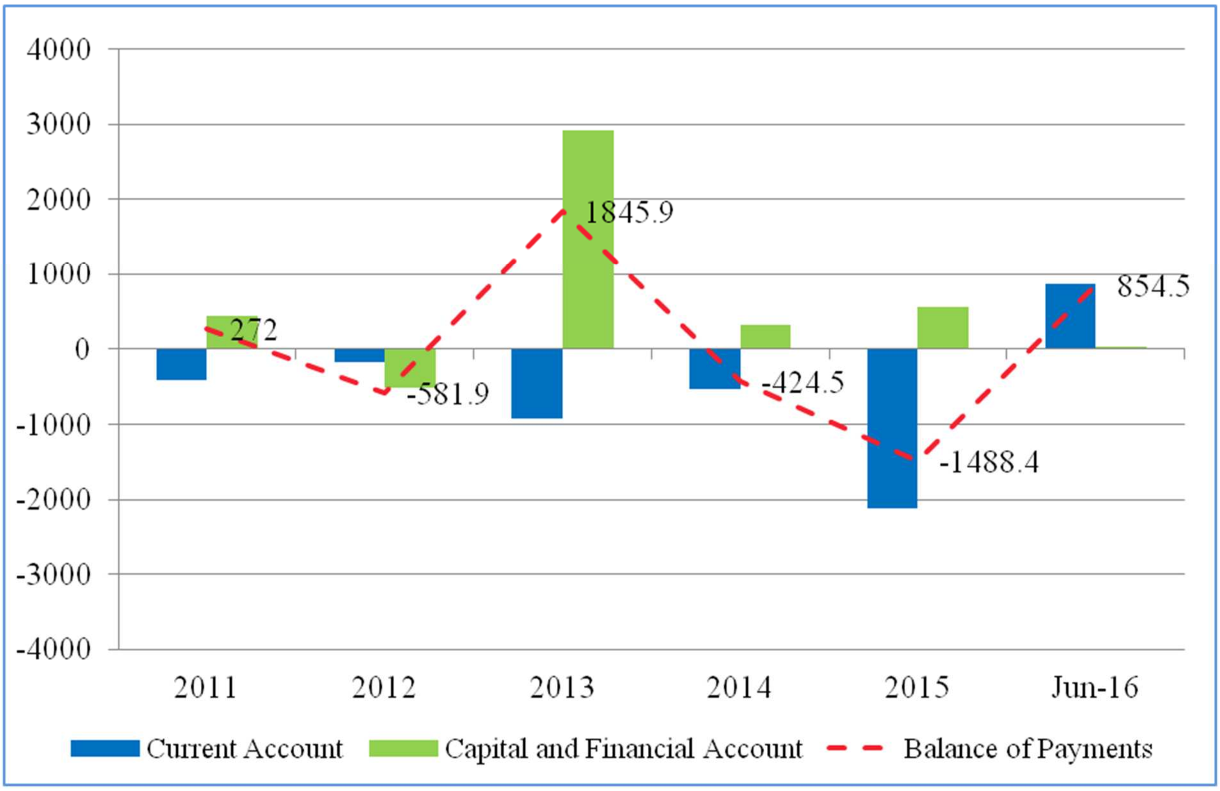
Court of Appeals for the Second Circuit. Thereafter, Penades duly filed the required standard forms to initiate the new appeal case.

On November 29, 2016 the United States Court of Appeals for the Second Circuit issued a notice stating that the appeal had been assigned to the Court's Expedited Appeals Calendar. The Court stated that Appellant's brief (Penades) is due no later than January 3, 2017, 35 days from the date of the notice. Appellee's brief (Ecuador) is due no later than February 7, 2017 or, 35 days from the date Appellant's brief is filed, whichever date is sooner. Absent extraordinary circumstances, the Court stated that it will not grant a motion to extend the time to file a brief.

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 2011 and 2015, Ecuador experienced fluctuations between balance of payment deficits and surpluses. While there were surpluses in 2011 and 2013, there were deficits in 2012, 2014 and 2015. For the quarters ended in June of 2015 and 2016, there were also balance of payment surpluses.



Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the Second Quarter of 2016.

The increasing price of petroleum contributed to the U.S.$272.0 million surplus in the balance of payments in 2011. In 2012, an increase in Government investment contributed to a deficit of U.S.$581.9 million. In 2013, an improvement in the financial account that was the result of an increase in bilateral debt and corresponding loan disbursements contributed to a balance of payments surplus of U.S.$1,845.9 million. However, the current account deficit of U.S.$930.5 million registered in 2013 represents a decrease compared to the U.S.$165.3 million current account deficit registered in 2012. This deficit is the result of an increase in imports, particularly with respect to imported capital goods and raw materials.

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.$2,921.7 million in 2013 to U.S.$326.8 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.$930.5 million in 2013 to a deficit of U.S.$526.7 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.$526.7 million in 2014 to a deficit of U.S.$2,092.1 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.

For the second quarter of 2016, there was a balance of payment surplus of U.S.$854.5 million, a reduction of U.S$202 million compared to the U.S.$1,064.7 million balance of payment surplus for the second quarter of 2015. Additionally, in the second quarter of 2016, the current account registered a surplus of U.S.$865.2 million and the capital and financial account registered a surplus of U.S.$34.3 million.

In the years from 2011 to 2015, 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 has been a non-petroleum trade balance deficit for the past from 2011 to 2015. 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. The time period from 2011 to 2015 has also seen a decrease in remittances from U.S.$2,672.4 million in 2011 to U.S.$2,466.9 million in 2012 and U.S.$2,449.5 million in 2013 to a slight increase to U.S.$2,461.7 million in 2014 and a decrease to U.S.$2,377.8 million in 2015. These decreases in remittances are currently continuing due to the recent weakening of the euro against the dollar and the ongoing economic recession in Spain, which represents a quarter of all remittances to Ecuador.

The following table sets forth information regarding the Republic's balance of payments for the periods indicated.

Annual Balance of Payments

(in millions of U.S.$)

	For the Year Ended December 31,				
	2011	**2012**	**2013**	**2014**	**2015**
Current Account	**-401.6**	**-168.4**	**-926.6**	**-525.6**	**-2,122.2**
Trade balance	**-302.6**	**49.9**	**-528.6**	**-63.5**	**-1,649.8**
Exports (FOB)[1]	23,082.3	24,568.9	25,586.8	26,596.5	19,048.7
Petroleum and derivatives	12,944.9	13,792.0	14,107.2	13,275.5	6,660.1
Non-petroleum	9,377.5	9,972.8	10,643.7	12,448.9	11,670.6
Non-registered commerce and other exports	759.9	804.1	835.9	872.1	718
Imports (FOB)	-23,384.9	-24,518.9	-26,115.3	-26,660.0	-20,698.5
Services	**-1,562.7**	**-1,394.3**	**-1,419.6**	**-1,170.7**	**-805.2**
Rendered services (credit)	1,587.5	1,804.0	2,041.4	2,346.3	2,391.3
Transportation	398.9	408.7	435.8	437.0	444.3
Travel	843.4	1,032.5	1.246.2	1,482.1	1,551.4
Other	345.2	362.8	359.4	427.1	395.7
Rendered services (debit)	-3,150.2	-3,198.4	-3,460.9	-3,517.0	-3,196.6
Transportation	-1,761.7	-1,708.4	-1,708.9	-1,743.9	-1,510.1
Travel	-593.7	-610.6	-622.5	-634.6	-638.6
Other	-794.9	-879.4	-1,129.5	-1,138.5	-1,047.8
Investment income	**-1,258.7**	**-1,304.3**	**-1,377.4**	**-1,556.6**	**-1,744.9**
Inflows (credit)	84.5	105.3	112.6	120.6	136.9
Outflows (debit)	-1,343.2	-1,409.5	-1,490.0	-1,676.2	-1,881.6
Employees' remuneration	-7.6	-8.4	-9.8	-11.4	-13.5
Direct investment income	-700.9	-677.4	-683.6	-666.2	-601.0
Portfolio investment income	-61.5	-64.0	-63.7	-143.2	-230.9
Other	-573.2	-659.7	-732.9	-855.4	-1,036.2
Net transfers	**2,722.4**	**2,480.2**	**2,398.8**	**2,264.1**	**2,077.8**
Emigrant remittances	2,672.4	2,466.9	2,449.5	2,461.7	2,377.8
Capital and financial account	**452.5**	**-510.9**	**2,917.9**	**325.8**	**598.5**
Capital account	**82.3**	**121.5**	**66.1**	**66.8**	**-69.1**
Financial account	**370.1**	**-632.4**	**2,851.7**	**259.0**	**667.7**
Direct Investment	643.7	567.0	726.5	771.7	1,321.4
Portfolio Investment	41.0	66.7	-909.8	1,500.4	1,473.4
Other Investment	-314.6	-1,266.1	3,035.1	-2,013.1	-2,127.1
Errors and omissions	**221.1**	**97.4**	**-145.3**	**-224.6**	**35.2**
Total balance of payments	**272.0**	**-581.9**	**1,845.9**	**-424.5**	**-1,488.4**
Financing	**-272.0**	**581.9**	**-1,845.9**	**424.5**	**1,488.4**
International Reserves[2]	-335.6	475.1	-1,878.0	411.5	1,453.1
IMF loans	-	-	-	-	-
Exceptional Financing, net[3]	63.6	106.8	32.1	13.0	35.3

Source: Based on figures from the Central Bank October 2016 Monthly Bulletin (Table 3.2.1.1).

(1) 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.

(2) Data corresponds to changes in International Reserves. Negative numbers indicate an increase in International Reserves and positive numbers indicate a reduction.

(3) 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.

(4) Balance of payments data is published by the Central Bank on an annual and quarterly basis.

Quarterly Balance of Payments[4]

(in millions of U.S.$)

	For the Quarter Ended,			
	March 2015	**June 2015**	**March 2016**	**June 2016**
	(in millions of U.S. dollars)			
Current Account	**-898.8**	**-272.7**	**-65.8**	**865.2**
Trade balance	**-775.4**	**-192.5**	**20.3**	**842.7**
Exports (FOB) [2]	5,063.5	5,116.6	3,786.4	4,460.3
Imports (FOB)	-5,838.9	-5,309.2	-3766.0	-3,617.6
Services	**-246.3**	**-211.6**	**-151.6**	**-148.4**
Rendered services (credit)	625.4	561.3	565.4	491.0
Transportation	102.2	111.9	91.5	102.2
Travel	413.4	358.4	391.8	315.3
Other	109.8	91.0	82.0	73.5
Rendered services (debit)	-871.8	-772.9	-717.0	-639.4
Transportation	-420.7	-380.4	-297.8	-283.8
Travel	-156.9	-161.0	-162.1	-158.1
Other	-294.1	-231.4	-257.0	-197.5
Investment income	**-379.6**	**-416.4**	**-482.1**	**-473.8**
Inflows (credit)	32.4	35.2	37.1	36.1
Outflows (debit)	-412.0	-451.6	-519.2	-509.9
Employees' remuneration	-3.4	-3.5	-3.9	-3.9
Direct investment income	-408.6	-448.1	-515.3	-506.0
Net transfers	**502.6**	**547.8**	**547.6**	**644.8**
Emigrant remittances	530.4	595.4	594.7	669.5
Other transfers	71.2	63.8	65.5	101.3
Outgoing transfers	-99.1	-111.3	-112.8	-126.0
Capital and financial account	**700.0**	**1,252.2**	**-136.4**	**34.3**
Capital account	**18.3**	**15.9**	**-535.5**	**-314.3**
Financial account	**681.7**	**1,236.4**	**399.0**	**348.6**
Direct Investment	183.2	96.5	167.8	38.3
Portfolio Investment	611.2	936.7	-328.1	28.9
Other Investment	-112.8	203.2	559.4	281.4
Errors and omissions	**-93.9**	**85.2**	**111.5**	**-45.0**
Total balance of payments	**-292.7**	**1,064.7**	**-90.7**	**854.5**
Financing	**292.7**	**-1,064.7**	**90.7**	**-854.5**
International Reserves [3]	281.3	-1,071.5	-77.1	-860.7
IMF loans	-	-	-	-
Exceptional Financing, net [4]	11.4	6.7	167.9	6.2

Source: Based on figures from the Central Bank October 2016 Monthly Bulletin (Table 3.2.1.1).

(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) Data reflects changes in International Reserves, where negative numbers indicate an increase in International Reserves and positive numbers indicate a decrease.

(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.

Current Account

Ecuador recorded a current account deficit of U.S.$401.6 million in 2011. The 74.7% decrease in the deficit in 2011 from 2010 was due to the favorable performance of the balance of goods, particularly the increase in oil exports, which increased by 33.8%. In 2012, the oil exports continued to improve due to the increasing price of petroleum. Exports increased by 6.5% in 2012 and contributed to a reduced deficit of U.S.$168.4 million, a 58.9% reduction compared to 2011.

In 2013, the current account registered a deficit of U.S.$926.6 million (0.97% of GDP), which was partly due to the result of lower services and investment income balances and primarily a result of a decrease in the trade balance due to an increase of imports. The current account deficits were financed by external debt, including Chinese bilateral credits. In 2014, the current account improved and registered a deficit of U.S.$525.6 million (0.51% of GDP), which was the result of an increase in non-petroleum exports. The current account for 2015 resulted in a deficit of U.S.$2,122.2 million (2.12% of GDP) caused by the decrease in the price of petroleum exports. The current account for the second quarter of 2016 resulted in a surplus of U.S.$865.2 million (1.79% of GDP) an improvement compared to the U.S.$272.7 million (0.54% of GDP) deficit in the second quarter of 2015.

Although the levels of imports increased from 2011 to 2014, the rate of increase has declined over this four year period due to the Republic's promotion of domestic production. In 2011, imports increased by 19.1% compared to the previous year, while the rate of increase declined to 4.8% in 2012, increased slightly to 6.5% in 2013 and declined to 2.1% in 2014. In 2015, imports totaled U.S.$20,698.5 million, compared to U.S.$26,660 million for 2014 registering the first decrease in the levels of imports in the past 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.

The trade balance registered a surplus of U.S.$49.9 million in 2012, an increase from a deficit of U.S.$302.6 million in 2011. The surplus was due to the increase in petroleum exports coupled with the reduced rate of growth in imports as compared to the previous year. The trade balance registered a deficit of U.S.$528.6 million in 2013 due to the increase in imports from the previous year. 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. The trade balance for the second quarter of 2016 resulted in a surplus of U.S.$842.7 million, an improvement compared to the U.S.$272.7 million deficit in second quarter of 2015.

The services balance registered a deficit of U.S.$1,394.3 million in 2012, which was a decrease from the deficits of U.S.$1,562.7 million in 2011. Although there has been a negative services balance from 2011 to 2015, general increases in travel and transportation services have contributed to a decrease in the deficit. The services balance registered a deficit of U.S.$1,419.6 million in 2013, which is a U.S.$25.3 million increase from 2012. This increase was the result of an increase in the amount of services that were contracted to work on domestic infrastructure projects. 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.$805.4 million as a result of an improvement in the rendered services balance. The services balance for the second quarter of 2016 resulted in a deficit of U.S.$148.4 million, an improvement compared to the U.S.$192.5 million deficit in the second quarter of 2015.

The investment income balance registered a deficit of U.S.$1,744.9 million in 2015, which was an increase from the deficits of U.S.$1,555.6 million, U.S.$1,377.4 million, U.S.$1,304.3 million and U.S.$1,258.7 million in 2014, 2013, 2012 and 2011, respectively. The increase in the investment income deficit is primarily due to the increased outflows as compared to the previous year and year-to-year fluctuations since 2011 generally reflect trends on returns and investment performance experience throughout the global economy. Further, the continued increases from 2011 to 2015 reflect an increase in interest payments related to the increase in bilateral debt and corresponding loan disbursements. For more information regarding the Republic's public debt, see "Public Debt–Debt Obligations." The investment income for the second quarter of 2016 resulted in a deficit of U.S.$473.8 million, a decrease compared to the U.S.$416.4 million deficit in the second quarter of 2015.

Remittances, which are primarily denominated in U.S dollars and Euros, are an important source of net transfers to Ecuador's current account. In 2011, remittances increased by 3.1%, but decreased by 7.7% and 0.7%, in 2012 and 2013, respectively. 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. The year on year fluctuation in aggregate remittance levels reflect the economic situation of those countries from where the remittances are generated. In 2015, the majority of remittances came from the United States, Spain and Italy with 56.0%, 25.7% and 6.2%, respectively. The decrease in remittances for 2015 is primarily attributable to the economic situation in each of these countries as well as the depreciation of the euro relative to the dollar during this period. For the second quarter of 2016, remittances totaled U.S.$669.5 million, an increase compared to the U.S.$595.4 million total for the second quarter of 2015.

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 2011, the capital and financial account showed a surplus of U.S.$452.5 million. This surplus is due to the increase in direct investment explained below. In 2012, the capital and financial account registered a deficit of U.S.$510.9 million due to the net flows of other investments such as trade credits, currency, and deposits. In 2013, the capital and financial account registered a large surplus of U.S.$2,917.9 million primarily due to the net proceeds from the 2024 Bonds. In 2015, the capital and financial account registered U.S.$598.5 million, an increase from a surplus of U.S.$325.8 million in 2014. This increase was the result of increased foreign investment in 2015. The capital and financial account for the second quarter of 2016 resulted in a surplus of U.S.$34.3 million, a decrease compared to the U.S.$1,252.2 million surplus in the second quarter of 2015.

Direct investment totaled U.S.$643.7 million in 2011 and decreased to U.S.$567.0 million in 2012. Although this represents a decrease from 2011 Ecuador experienced an increase in direct investment for 2013, where direct investment totaled U.S.$726.5 million, which represents a 28.1% increase from 2012. This increase was due to continuing investment in Ecuador's infrastructure, in particular, its electricity and water sector. In 2014 and 2015, total direct investment continued to increase to U.S.$771.7 million and U.S.$1,321.4 million, respectively. These increases were principally due to an increase in investment in the mining sector. For the second quarter of 2016, direct investment totaled U.S.$38.3 million, a decrease compared to the U.S.$96.5 million total for the second quarter of 2015.

The investment portfolio showed a surplus of U.S.$41.0 million and U.S.$66.7 million for the years 2011 and 2012, respectively. In 2013, the investment portfolio showed a deficit of U.S.$909.8 million. In 2014 and 2015, the investment portfolio registered a surplus of U.S.$1,500.4 million and U.S.$1,473.4 million, respectively. The investment portfolio for the second quarter of 2016 registered a surplus of U.S.$28.9 million, a decrease compared to the U.S.$96.5 million registered in the second quarter of 2015.

International Reserves

Ecuador's International Reserves (defined herein), 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 2011, 2012 and 2013, Ecuador's International Reserves totaled U.S.$2,957.6 million, U.S.$2,482.5 million and U.S.$4,360.5 million, respectively. 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.

As of October 31, 2016, Ecuador's International Reserves totaled U.S.$4,274.6 million, an increase from October 31, 2015, when International Reserves totaled U.S.$3,308.4 million. This increase was primarily due to foreign investment in the private sector.

On May 16, 2014, the Central Bank and Goldman Sachs International ("GSI") entered into a 3-year gold transaction in which the Central Bank transferred an initial amount of approximately 465,619 ounces of gold (valued at the date of the transaction at approximately U.S.$604 million) and in return received a fixed rate on the value of the gold transferred to GSI. Under this transaction, upon maturity, the Central Bank is entitled to receive the return of the gold from GSI without payment by the Central Bank, provided that certain credit events relating to the Republic do not occur. Upon the occurrence of any applicable credit event, GSI will retain the gold unless the Central Bank pays its dollar value. In the event the price of gold declines and is worth less than U.S.$470 million, the Central Bank must deliver an additional amount of gold to make up the difference subject to a limit of a total of approximately 697,619 ounces of gold. Accordingly, the Republic's gold reserves could decrease in the event the price of gold declines or a credit event occurs. In certain limited circumstances some gold can be returned to Ecuador if the price increases above a certain threshold.

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 started in 2008-2009. From 2011 to 2015, 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 2011, 2012, 2013, 2014 and 2015 exports of petroleum and petroleum derivatives accounted for approximately 58.0%, 58.0%, 57.0%, 51.6% and 36.3% of total exports, respectively. Between 2011 and 2014, non-petroleum exports, which include, among others, flowers, vehicles, manufactured textile products and seafood, increased an average of 10.0% per year, but decreased by 6.3% in 2015. Ecuador's total export trade has grown steadily during the period between 2011 and 2014, but decreased in 2015, due to a decrease in revenues from oil exports caused by the decrease in the price of oil in 2014 and 2015. According to exports (FOB) data, in 2015, total exports decreased to U.S.$18,331 million, compared to U.S.$25,724 million in 2014.

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, 2011	23,082.3	-23,384.9	-302.6
Year Ended December 31, 2012	24,568.9	-24,518.9	49.9
Year Ended December 31, 2013	25,586.8	-26,115.3	-528.6
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
First Quarter of 2015	5,063.5	-5,838.9	-775.4
Second Quarter of 2015	5,116.6	-5,309.2	-192.5
First Quarter of 2016	3,786.4	-3,766.0	20.3
Second Quarter of 2016	4,460.3	-3,617.6	842.7

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the Second Quarter of 2016.

(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, and 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 an exit tax of 0.5% on any currency leaving the country (the "Currency Outflow Tax"), 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, which requires approval of each of the Constitutional Court, the National Assembly, the European Parliament, and the legislatures of the 28 EU member countries in order to be effective. 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, Ecuador will be a beneficiary of the European Union's Generalized Scheme of Preferences Plus program until 2016 or until the trade agreement is in place. This benefit allows Ecuador to not pay tariffs on exports of Ecuadorian products into the European Union.

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 production plant. The plant will be built in the city of Riobamba and will produce an estimated 2,400 tons of clinker per day. As part of the agreement, Cementos Yura S.A. will hold a 63.5% stake in EPCN. The Government has stated that the domestic production of clinker through this agreement will reduce imports of cement products into the Republic.

In March 2015, the *Comité de Comercio Exterior* ("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.

There have also been other measures taken to increase local production, including the creation of the Ministry of Commerce and the enactment of the Production Code, see "The Ecuadorian Economy – Economic and Social Policies – Production Code."

On November 11, 2016, Ecuador signed a trade agreement with the European Union Council. 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. The trade agreement requires the approval of each of the National Assembly, the European Parliament, and the legislatures of the 28 EU member countries in order to be effective.

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 that includes 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 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; and

- 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.

Composition of Trade

In 2011, export activity increased, with total exports reaching U.S.$22,322 million, an increase of 28% over 2010 levels. As in 2010, increases in both oil and non-oil exports resulted in overall export growth. Growth was particularly evident in crude oil (32%), petroleum derivatives (59%), coffee (109%), cacao (35%) and shrimp (39%).

In 2012, exports continued to grow, although at a slower pace than in 2011. Exports increased 6% in 2012, reaching a total of U.S.$ 23,765 million. Growth in this year was primarily the result of the increase in crude oil exports (8%), shrimp exports (8%) and tuna (and other fish) exports (26%).

In 2013, exports increased to U.S.$24,751 million, an increase of 4% compared to 2012. The increase was primarily due to improved banana (12%) and cacao (23%) production, a sharp increase in shrimp exports (40%), and an increase in crude oil exports (6%).

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 decreased 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 decreases 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 the first nine months of 2016, overall exports decreased to U.S.$12,160 million, a decrease of 14.6% from U.S.$14,243 million in the first nine months of 2015 primarily caused by a 32% decrease in crude oil exports.

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,										January 1 - September 30,			
	2011		2012		2013		2014		2015		2015		2016	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Crude oil	11,800	52.9	12,711	53.5	13,412	54.2	13,016	50.6	6,355	34.7	5,241	36.8	3,545	29.2
Bananas and plantains	2,246	10.1	2,078	8.7	2,323	9.4	2,577	10.0	2,808	15.3	2,128	14.9	2,039	16.8
Petroleum derivatives	1,145	5.1	1,081	4.5	695	2.8	259	1.0	305	1.7	264	1.9	313	2.6
Shrimp	1,178	5.3	1,278	5.4	1,784	7.2	2,513	9.8	2,280	12.4	1,689	11.9	1,887	15.5
Cacao	474	2.1	345	1.5	423	1.7	576	2.2	693	3.8	463	3.3	389	3.2
Coffee	117	0.5	75	0.3	28	0.1	24	0.1	18	0.1	10	0.1	9	0.1
Tuna and other fish	257	1.2	324	1.4	265	1.1	281	1.1	231	1.3	187	1.3	178	1.5
Flowers	676	3.0	714	3.0	830	3.4	918	3.6	820	4.5	643	4.5	619	5.1
Metal Manufacturing	696	3.1	897	3.8	508	2.1	519	2.0	510	2.8	396	2.8	296	2.4
Other products[(2)]	3,733	16.7	4,262	17.9	4,483	18.1	5,041	19.6	4,311	23.5	3,222	22.6	2,885	23.7
Total	**22,322**	**100**	**23,765**	**100**	**24,751**	**100**	**25,724**	**100**	**18,331**	**100**	**14,243**	**100**	**12,160**	**100**

Source: Based on figures from the Central Bank October 2016 Monthly Bulletin (Table 3.1.1).

[(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)] “Other products” consist of non-traditional primary and manufactured products, including canned seafood, vehicles and chemicals.

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)

	For the Year Ended December 31,										January – September 30			
	2011		2012		2013		2014		2015		2015		2016	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Consumer goods														
Non-durable goods	2,862	11.7	2,931	11.5	2,997	11.1	3,014	10.9	2,695	12.5	2,021	12.0	1,539	13.1
Durable goods	2,144	8.8	2,162	8.5	2,210	8.2	2,230	8.0	1,593	7.4	1,278	7.6	851	7.2
Postal traffic	152	0.6	173	0.7	240	0.9	208	0.8	131	0.6	94	0.6	95	0.8
Fuel and combustibles	5,369	22.0	5,612	22.0	6,110	22.6	6,617	23.9	4,171	19.4	3,312	19.7	1,880	16.0
Primary Materials														
Agriculture	1,011	4.1	1,059	4.2	1,124	4.2	1,351	4.9	1,199	5.6	919	5.5	789	6.7
Industrial	5,877	24.1	5,796	22.7	6,198	22.9	6,147	22.2	5,445	25.3	4,269	25.4	3,242	27.6
Construction materials	853	3.5	968	3.8	1,010	3.7	1,120	4.0	658	3.1	522	3.1	301	2.6
Capital Goods														
Agriculture	108	0.4	121	0.5	125	0.5	128	0.5	144	0.7	110	0.7	86	0.7
Industrial	4,209	17.2	4,642	18.2	5,077	18.8	4,898	17.7	3,948	18.3	3,004	17.9	2,192	18.7
Transportation Equipment	1,807	7.4	1,969	7.7	1,863	6.9	1,954	7.0	1,471	6.8	1,212	7.2	722	6.1
Other	45	0.2	46	0.2	67	0.2	60	0.2	63	0.3	48	0.3	48	0.4
Total	**24,438**	**100**	**25,477**	**100**	**27,021**	**100**	**27,726**	**100**	**21,518**	**100**	**16,791**	**100**	**11,745**	**100**

Source: Based on figures from the Central Bank October 2016 Monthly Bulletin (Table 3.1.7).

Ecuador’s largest trading partners are the United States, the European Union, Peru, Chile, 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)

	For the Year Ended December 31,										January – September 30,			
	2011		2012		2013		2014		2015		2015		2016	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Americas														
United States	9,771	43.8	10,617	44.7	11,043	44.6	11,240	43.7	7,226	39.4	5,829	40.9	3,979	32.7
Peru	1,766	7.9	1,991	8.4	1,901	7.7	1,582	6.1	934	5.1	729	5.1	654	5.4
Colombia	1,026	4.6	1,056	4.4	912	3.7	951	3.7	784	4.3	603	4.2	586	4.8
Chile	1,106	5.0	1,991	8.4	2,457	9.9	2,328	9.0	1,138	6.2	923	6.5	787	6.5
Other (Americas)	4,058	18.2	2,981	12.5	2,126	8.6	2,951	11.5	1,689	9.2	1,191	8.4	1,287	9.0
Total Americas	17,726	79.4	18,636	78.4	18,439	74.5	19,052	74.1	11,771	64.2	9,275	65.1	7,293	60.0
Europe														
European Union (EU)	2,690	12.0	2,446	10.3	3,011	12.2	2,981	11.6	2,773	15.1	2,110	14.8	2,124	17.5
Italy	582	2.6	487	2.1	416	1.7	431	1.7	326	1.8	249	1.7	333	2.7
United Kingdom	139	0.6	164	0.7	170	0.7	176	0.7	166	0.9	132	0.9	105	0.9
Germany	493	2.2	377	1.6	411	1.7	526	2.0	549	3.0	417	2.9	408	3.4
Spain	468	2.1	442	1.9	777	3.1	525	2.0	484	2.6	387	2.7	412	3.4
Other (EU)	1,007	4.5	975	4.1	1,237	5.0	1,323	5.2	1,248	6.8	925	6.5	867	7.1
Rest of Europe	923	4.1	947	4.0	1,097	4.4	1,072	4.2	903	5.0	667	4.7	655	5.4
Total Europe	3,613	16.2	3,392	14.3	4,108	16.6	4,053	15.8	3,676	20.1	2,776	19.5	2,780	22.9
Asia														
Taiwan	11	0.0	6	0.0	8	0.0	7	0.0	6	0.0	5	0.0	5	0.0
Japan	349	1.6	657	2.8	572	2.3	326	1.3	331	1.8	283	2.0	215	1.8
China	192	0.9	392	1.6	564	2.3	485	1.9	723	3.9	565	4.0	461	3.8
South Korea	29	0.1	40	0.2	45	0.2	57	0.2	173	0.9	157	1.1	58	0.5
Other countries	304	1.4	483	2.0	864	3.5	1,558	6.1	1,475	8.0	1,047	7.4	1,245	10.2
Total Asia	885	4.0	1,578	6.6	2,053	8.3	2,433	9.5	2,708	14.8	2,056	14.4	1,985	16.3
Africa	65	0.3	110	0.5	99	0.4	122	0.5	105	0.6	82	0.6	53	0.4
Oceania	31	0.1	31	0.1	39	0.2	45	0.2	51	0.3	38	0.3	39	0.3
Other countries	3	0.0	17	0.1	13	0.1	19	0.1	20	0.1	16.1	0.1	10.5	0.1
Total	**22,322**	**100**	**23,765**	**100**	**24,751**	**100**	**25,724**	**100**	**18,331**	**100**	**14,243**	**100**	**12,160**	**100**

Source: 2011 and 2012 figures based on figures from the Central Bank December 2015 Monthly Bulletin (Table 3.1.4); 2013, 2014 and 2015 figures based on figures from the Central Bank October 2016 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.

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.$)

	For the Year Ended December 31,					January – September 30,	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**
Americas[(1)]							
Mexico	870	896	963	967	656	524	355
United States	6,120	6,802	7,755	8,751	5,806	4,324	3,032
Central America	89	94	107	104	96	77	70
South America and the Caribbean							
Argentina	544	480	415	501	235	186	132
Brazil	938	929	871	863	712	535	484
Bolivia	9	31	110	114	183	147	128
Colombia	2,221	2,198	2,288	2,201	1,766	1,366	996
Chile	619	628	628	583	551	415	350
Panama	-	1,601	1,765	1,442	1,022	911	573
Peru	1,142	1,130	1,118	1,024	789	605	502
Rest of Americas and Caribbean	3,598	1,091	676	678	520	390	267
TOTAL AMERICA	**16,150**	**15,880**	**16,697**	**17,227**	**12,335**	**9,482**	**6,888**
Europe							
Germany	568	592	578	578	497	385	295
Italy	284	284	292	326	344	251	205
Spain	325	613	738	618	430	337	265
UK	145	486	341	151	87	69	36
Rest of EU	996	939	961	1,315	1,126	887	577
Rest of Europe	295	361	301	302	313	200	253
TOTAL EUROPE	**2,614**	**3,275**	**3,210**	**3,288**	**2,796**	**2,129**	**1,630**
Asia							
China	2,290	2,829	3,476	3,613	3,266	2,518	1,811
Japan	661	732	599	574	478	390	197
Taiwan	195	193	205	213	182	150	93
South Korea	930	796	1,008	902	792	677	374
Rest of Asia	1,116	1,363	1,442	1,548	1,431	1,265	571
TOTAL ASIA	**5,191**	**5,913**	**6,731**	**6,851**	**6,148**	**5,000**	**3,045**
Postal Traffic and regions excluding the Americas, Europe and Asia	483	409	383	360	239	180	181
Total	**24,438**	**25,477**	**27,021**	**27,726**	**21,518**	**16,791**	**11,745**

Source: 2011 and 2012 figures based on figures from the Central Bank December 2015 Monthly Bulletin (Table 3.1.4); 2013, 2014 and 2015 figures based on figures from the Central Bank October 2106 Monthly Bulletin (Table 3.1.9).
Canada included in Rest of Americas and Caribbean.

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 Hydrocarbons Secretariat of Ecuador.

Direct foreign investment reached U.S.$643.7 million, U.S.$567.0 million, U.S.$726.5 million, and U.S.$771.7 million in 2011, 2012, 2013 and 2014, respectively. Direct foreign investment in 2015 reached U.S.$1,321.4 million, which is the largest amount of direct foreign investment in the last five years. In 2015, the petroleum sector represented the largest percentage of direct foreign investment with 42% of all investment. Manufacturing and services rendered to businesses followed representing 20.0% and 18.4% of direct foreign investment, respectively. In the first six months of 2016, direct foreign investment reached U.S.$206.1 million, a decrease compared to the U.S.$279.7 million in the first six months of 2015.

The following table sets forth information regarding foreign direct investment by sector for the periods indicated.

Foreign Investment by Sector

(in millions of U.S.$, and as a % of total foreign investment)

	For the Year Ended December 31,										For January 1-June 30,			
	2011		2012		2013		2014		2015		2015		2016	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Agriculture, forestry, hunting and fishing	0.5	0.1	17.9	3.1	20.8	2.9	38.9	5.0	67.8	5.1	10.8	3.8	10.5	5.1
Commerce [1]	77.8	12.1	83.3	14.7	110.2	15.2	148.4	19.2	172.8	13.1	109.4	39.1	8.7	4.2
Construction	50.1	7.8	31.1	5.5	68.7	9.5	4.3	0.6	6.4	0.5	2.1	0.8	21.0	10.2
Electricity and water	-10.8	-1.7	46.4	8.2	29.2	4.0	-4.7	-0.6	61.8	4.7	9.7	3.5	1.1	0.5
Petroleum [2]	379.2	58.9	224.9	39.7	252.9	34.8	685.6	88.8	559.8	42.4	80.9	28.9	145.8	70.7
Manufacturing	121.9	18.9	135.6	23.9	137.9	19.0	107.7	14.0	264.1	20.0	83.0	29.7	10.3	5.0
Social and personal services	27.8	4.3	1.7	0.3	-2.3	-0.3	14.1	1.8	-10.8	-0.8	-5.7	-2.0	-6.7	-3.3
Services rendered to businesses	44.7	6.9	39.5	7.0	117.7	16.2	24.4	3.2	243.2	18.4	38.4	13.7	12.3	5.9
Transportation, storage and telecommunications	-47.4	-7.4	-13.4	-2.4	-8.5	-1.2	-247.0	-32.0	-43.6	-3.3	-49.0	-17.5	3.1	1.5
Total	**643.7**	**100**	**567.0**	**100**	**726.5**	**100**	**771.7**	**100**	**1,321.4**	**100**	**279.7**	**100**	**206.1**	**100**

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the Second Quarter of 2016.

[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"), the creation of the MICSE and Strategic Ecuador in the procurement of foreign investment (see "The Ecuadorian Economy – Strategic Sectors of the Economy"), and Article 422 of the Constitution, which sets parameters for disputes relating to international agreements.

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 January 16, 2013, the Central Bank named Diego Martínez as its new president. 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. According to the Monetary and Financial Law, the Committee of Monetary and Financial Policy Regulation is comprised of delegates from Ecuador's Ministry of 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 Superintendent of Banks and the General Manager of the Central Bank 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 *Banco de Desarrollo del Ecuador B.P.* (the "Development Bank"), formerly denominated, *Banco del Estado*. Since 1979, the role of the 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. As of September 30, 2016, the Development Bank made a total of U.S.$257.9 million in disbursements to Ecuador's Autonomous Decentralized Governments.

The Republic is not currently under a structural agreement, such as a stand-by or similar agreement, with the IMF or similar international multilateral institutions. On September 25, 2015, the Executive Board of the IMF concluded its annual Article IV consultation with Ecuador. The consultation took place in Washington D.C. through discussions with officials, and via video and telephone conferences with individuals in the public and private sector in Ecuador. In its published report, the IMF noted the significant improvements in Ecuador's social and economic indicators over the past decade, but also noted that since the fourth quarter of 2014, the economy of Ecuador has been hit by external shocks, including the international decline in oil prices and real exchange rate appreciation. The IMF commended Ecuadorian authorities for adjustment efforts to contain the fiscal debt. The results of the consultation were announced in an October 21, 2015 press release by the IMF which is available on the IMF website.

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 Government.

On November 24, 2016, the Monetary and Financial Policy and Regulation Board (*Junta de Política y Regulación Monetaria y Financiera*) issued Resolution No. 273-2016-F, which increases from 2% to 5% the reserves that financial institutions with more than U.S.$1 billion in assets are required to hold at the Central Bank. This resolution is expected to reduce the liquidity of these financial institutions' Central Bank deposits by approximately U.S.$750 million.

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, the COSEDE (defined herein), 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 equal treatment of foreign and domestic financial institutions. Ecuadorian financial institutions may establish foreign offices and invest in foreign financial institutions, with authorization from the Superintendent of Banks. 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 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 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 of the banking system in 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 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 to ensure 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 September 30, 2016, the majority of banks in Ecuador are in compliance with Basel II, and all banks are expected to be in compliance within two years. Compliance with Basel II is mandatory for all banks by 2017.

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.

Risk Categories and Required Loan-loss Reserve[1]

(in number of days past due, except for percentages)

Category [2]	Commercial [3]	Consumer	Mortgage	Small Business [4]	Loan-loss Reserve
A	0-30	0-15	0-60	0-15	1%-5%
B	31-90	16-45	61-180	16-45	6%-19%
C	91-180	46-90	181-270	46-90	20%-59%
D	181-360	91-120	271-450	91-120	60%-99%
E	>360	>120	>450	>120	100%

Source: Superintendent of Banks as of November 2016.

(1) Circular SB-IG-2016-0066-C of the Superintendent of Banks provides for a transitional period before these new risk categories must be reflected in financial statements on June 30, 2016.

(2) Ecuador subdivides Categories A, B, and C into sub-categories. However, categories in chart are simplified for ease of presentation.

(3) 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.

(4) Classified, with respect to (a) retail microcredit, as loans up to U.S.$1,000, (b) microcredit simple accumulation, as loans from U.S.$ U.S.$1,000 to U.S.$10,000, and (c) microcredit extended accumulation, as loans in excess of U.S.$10,000. 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 August 31, 2016.

Classification of Aggregate Assets of the Ecuadorian Private Financial System [(1)]

(as a % of total loans)

	As of August 31, 2016			
Category	Commercial loans	Consumer loans	Mortgage loans	Small business
A	75.89	90.85	96.34	92.42
B	18.84	2.69	2.12	2.18
C	4.48	1.92	0.53	1.73
D	0.36	1.00	0.62	0.73
E	0.44	3.54	0.39	2.95
Total	**100**	**100**	**100**	**100**

Source: Superintendent of Banks as of November 2016.

(1) Banks must hold 60% of deposits in Ecuador.

The Financial Safety Net

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 the Ecuador's Dollarization Program, however, the Republic's lending capacity was limited to the *Fondo de Liquidez del Sistema Financiero Ecuatoriano* ("Liquidity Fund"). 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, which was designed to strengthen the Liquidity Fund, the Liquidity Fund acts as the lender of last resort for private financial institutions. As of October 31, 2016 the Liquidity Fund consisted of approximately U.S.$2,350 million, an increase compared to October 31, 2015, when the Liquidity Fund consisted of U.S.$2,271 million. This increase is due to growth in deposits. 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 Law consists of the *Corporación de Seguro de Depósitos* ("Deposit Insurance Corporation" or "COSEDE"). The COSEDE is the successor to the *Agencia de Garantía de Depósitos* ("Deposit Guarantee Agency" or "AGD"), 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 Finance and to COSEDE and thereafter transferred to the *Corporación Financiera Nacional* ("CFN"), a separate Government institution. COSEDE had assets of U.S.$453 million, U.S.$622 million, U.S.$796 million, and U.S.$1,009 million as of December 31, 2011, December 31, 2012, and December 31, 2013, and December 31, 2014, respectively. As of December 31, 2015, COSEDE had assets of U.S.$1,236 million. As of October 31, 2016, COSEDE had assets of U.S.$1,392 million, an increase from U.S.$192 million as of October 31, 2015.

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 could only guarantee up to U.S.$12,000 per account. 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 September 30, 2016[2]	
	2011	2012	2013	2014	2015	2015	2016
Banks	26	26	26	24	22	22	22
National banks	25	25	25	23	21	21	21
Private	24	24	24	22	20	20	20
Government-owned banks	1	1	1	1	1	1	1
Foreign banks	1	1	1	1	1	1	1
Other financial entities	58	57	57	54	41	41	37
Savings and loans associations[1]	40	39	39	37	24	24	25
Small lending institutions	4	4	4	4	4	4	4
Financial institutions	10	10	10	9	10	10	5
Public banks	4	4	4	4	3	3	3
Insurance companies	45	44	44	40	39	n/a	n/a
Insurance companies	43	42	42	38	37	n/a	n/a
Reinsurance companies	2	2	2	2	2	n/a	n/a
Credit-card issuing entities	2	2	2	2	1	1	1
Total	**131**	**129**	**129**	**120**	**103**	**64**	**60**

Source: Superintendent of Banks as of November 2016.

(1) Savings and Loans Associations include the *Cooperativas de Ahorro y Credito 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 five 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) Information with respect to Insurance Companies is not available for September 30, 2015 and September 30, 2016 and is not included in the total number of financial institutions as of such dates.

Banking System

Overview

As of December 31, 2015, the Ecuadorian banking system had a total of 22 banking institutions, of which one was a foreign-owned bank and one was a state-owned bank. The decrease in the total amount of financial institutions from 120 in 2014 to 103 in 2015 in the above chart reflects a decrease in the number of savings and loans associations included in Category 1, which are entities with assets above U.S.$80 million. Total assets of the banking system increased from U.S.$23.9 billion in 2011 to U.S.$33.6 billion in 2014. As of December 31, 2015, total assets for the banking system totaled U.S.$30.9 billion, a decrease of 8% since December 31, 2014. This decrease in total assets is due to the decrease in deposits in 2015. Total assets of the banking system increased from U.S.$30.9 billion as of October 31, 2015 to U.S.$34.0 billion as of October 31, 2016, an increase of 10%. This increase was principally due to the increase of reserves in the Central Bank and growth in liquidity throughout 2016.

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,					As of October 31,	
	2011	2012	2013	2014	2015	2015	2016
Total assets (in billions of U.S. dollars)................	23.9	27.9	30.7	33.6	30.9	30.9	34.0
Non-performing loans [1] (as % of total loans).......	0.99%	1.24%	1.18%	1.33%	1.45%	1.82%	1.45%

Source: Superintendent of Banks as of October 2016.

(1) Non-performing loans are classified by economic sector. Commercial non-performing loans are classified as loans 31 days overdue, consumer non-performing loans are classified as loans 16 days overdue, real estate non-performing loans are classified as loans 61 days overdue, and microcredit non-performing loans are classified as loans 16 days overdue.

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, 2011.....................................	13,360	5,198	18,558	14%
December 31, 2012.....................................	15,992	5,921	21,913	18%
December 31, 2013.....................................	17,619	6,631	24,251	11%
December 31, 2014.....................................	19,014	7,861	26,875	11%
December 31, 2015.....................................	15,889	7,402	23,291	-13%
October 31, 2015...	15,760	7,532	23,293	-9%
October 31, 2016...	17,341	8,599	25,940	11%

Source: Superintendent of Banks as of October 2016.

(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, 2011 through December 31, 2014, total time and demand deposits increased 44.8%, from U.S.$18,557.9 million to U.S.$26,874.5 million. As of December 31, 2015, time and demand deposits totaled U.S.$23,291.1 million, a decrease of 13% since December 31, 2014. This decrease is due to the decrease in economic activity during this period. The majority of funding for the Ecuadorian banking system is comprised of demand deposits, which increased 42.3% from U.S.$13,360 million in 2011 to U.S.$19,013.5 million in 2014. As of December 31, 2015, demand deposits totaled U.S.$15,888.9 million, a decrease of 16.4% since December 31, 2014. Time deposits increased 51.2% from U.S.$5,198 million in 2011 to U.S.$7,861 million in 2014. As of December 31, 2015, time deposits totaled U.S.$7,402.2 million, a decrease of 5.8% since December 31, 2014. As of October 31, 2016, total time and demand deposits increased to U.S.$27.1

million, an increase of 11.4% compared to October 31, 2015. This increase was due to the recovery of oil prices and foreign investment which have increased liquidity and resulted in an increase in savings deposits and cash deposits.

Foreign banks and financial institutions are also a source of liquidity in the Ecuadorian banking system. As of December 31, 2015 the balance of foreign liabilities in the banking sector amounted to approximately U.S.$433.79 million, which is an increase from the balance of foreign liabilities in December 31, 2014, which was U.S.$557.52 million. As of September 30, 2016 the balance of foreign liabilities in the banking sector amounted to approximately U.S.$479.47 million, which is an increase from the balance of foreign liabilities in September 30, 2015, which was U.S.$418.39 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, 2011	62	24	3
December 31, 2012	63	24	2
December 31, 2013	63	22	2
December 31, 2014	62	26	2
December 31, 2015	58	37	5
September 30, 2015	57	27	4
September 30, 2016	57	28	5

Source: Superintendent of Banks as of October 2016.

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, 2011	53.9	13.0
December 31, 2012	52.8	11.5
December 31, 2013	52.6	12.7
December 31, 2014	54.7	14.0
December 31, 2015	56.7	14.4
September 30, 2015	58.7	10.7
September 30, 2016	53.0	16.7

Source: Superintendent of Banks as of October 2016.

As of December 31, 2015, the banking system represented 92.6 % of the total assets of the private financial system. The banking system, for the year ended December 31, 2015, made a profit of U.S.$271 million, which according to data from the Superintendent of Banks represented 0.27% of Ecuador's nominal GDP and a decrease compared to U.S.$334 million as of December 31, 2014. The banking system weakened between 2014 and 2015, and its assets contracted by 8% due to a 13% decrease in time and demand deposits.

As of September 30, 2016, the banking system represented 93.7 % of the total assets of the private financial system. The banking system, for the 9 month period ended September 30, 2016, made a profit of U.S.$152.1 million, which according to data from the Superintendent of Banks represented a decrease compared to U.S.$229.6 million as of September 30, 2015. The banking system became stronger between October 31, 2015 and 2016, and its assets increased by 10% due to the increase of reserves in the Central Bank and growth in liquidity throughout 2016 resulting from the recovery in oil prices and foreign investment.

Ecuador's banks use their resources primarily to extend loans. Between 2011 and 2015, the Ecuadorian banking system's total loan portfolio increased by U.S.$37.26 billion (37.26% and 257.19% as a percentage of capital requirement) and past due loans increased by U.S.$381.07 million (124.44% and 19.23% as a percentage of capital requirement). Regulations require that banks have a legal lending limit equal to 10% of their net worth for uncollateralized loans and up to 20% of their net worth if the excess over the first 10% is 140% collateralized.

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 October 31, 2016

Loans		**Deposits**	
Commercial, Productive and Consumer Loans ...	15,528	Demand Deposits..........................	17,340
Microenterprise Loans......................................	1,441	Time Deposits...............................	8,599
Education Loans...	428	Guarantee Deposits.......................	1
Real Estate and Public Housing Loans..............	1,956	Others...	1,193
Total...	19,354	**Total**.......................................	27,134

Source: Superintendent of Banks as of October 2016.

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, 2011....................	13,371	306	13,677	97.8%	2.2%
December 31, 2012....................	15,332	442	15,774	97.2%	2.8%
December 31, 2013....................	16,810	448	17,258	97.4%	2.6%
December 31, 2014....................	19,087	565	19,652	97.1%	2.9%
December 31, 2015....................	18,086	687	18,773	96.3%	3.7%
September 30, 2015	18,714	784	19,498	96.0%	4.0%
September 30, 2016	18,312	773	19,085	95.9%	4.1%

Source: Superintendent of Banks as of October 2016.

(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 overdue. Non-interest generating loans are also included in past-due loans.

The delinquency rate increased to 2.8% in 2012 from 2.2% in 2011 as a result of an increase in consumer past-due loans which increased from U.S.$175 million in 2011 to U.S.$293 million in 2012. However the rate decreased to 2.6% in 2013 due to reduction in past-due loans of the commercial sector, which decreased to U.S.$284 million. In 2014, the delinquency rate increased to 2.9%, 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. As of October 31, 2015, the delinquency rate for loans from the private banking sector reached 4.2% as a result of the contraction in liquidity that resulted from the reduced price of petroleum and appreciation of the dollar. As of October 31, 2016, the delinquency rate increased to 4.3% despite increased liquidity because the increased liquidity has not yet resulted in a corresponding growth in the loan portfolio and accordingly has not yet led to a growth in non-delinquent loans which growth would decrease the overall delinquency rate.

As of September 30, 2016, 14.7% of all current loans were commercial, 61.5% were consumer, 10.3% were housing, 8.4% were microcredit and 2.6% were education related.

As of September 30, 2016, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.$26,877 million, an increase from the U.S.$24,538 million as of September 30, 2015. However, total current loans to the private sector from the private banking sector decreased from U.S.$18,714 million as of September 30, 2015 to U.S.$18,312 million as of September 30, 2016.

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,										As of September 30,			
	2011		2012		2013		2014		2015		2015		2016	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Commercial	68	22.3	62	14.0	65	14.5	72	12.7	98	14.3	113	14.4	114	14.7
Consumer..................	175	57.2	293	66.3	284	63.4	383	68.0	438	63.7	501	63.9	476	61.5
Real estate.................	23	7.5	25	5.7	27	6.0	31	5.3	39	5.6	40	5.1	65	8.4
Microcredit	39	12.9	62	14.0	72	16.1	79	13.8	90	13.1	100	12.7	99	12.8
Education[(1)]	-	-	-	-	-	-	-	-	22	3.2	31	3.9	20	2.6
Total	**306**	**100**	**442**	**100**	**448**	**100**	**565**	**100**	**687**	**100**	**784**	**100**	**773**	**100**

Source: Superintendent of Banks as of October 2016.

(1) Productive loans are included with consumer loans for September 30, 2016.

(2) The education loan portfolio that was previously administered by the *Instituto Ecuatoriano de Crédito Educativo y Becas* (IECE) was transferred to the banking system in February of 2015.

Banking Sector

The first, second and third largest banks in Ecuador are Banco del Pichincha, Banco del Pacífico and Banco de Guayaquil in that order. As of December 31, 2015, the three banks accounted for about 57.69% of the reported combined income and 54.36% of Ecuador's banking assets. Return on equity for these three banks averaged 8.66% for 2015, a decrease of 3.26% compared to 2014, while net profit decreased from U.S.$179 million in 2014 to U.S.$142 million in 2015.

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, 2015, Banco del Pacífico had approximately U.S.$4.294 million in assets. Its profits increased in 2015 when compared to 2014 from U.S.$48.1 million in 2014 to U.S.$50.86 million in 2015. As of September 30, 2016, Banco del Pacífico had approximately U.S.$5.025 million in assets. Its profits increased as of September 30, 2016 when compared to U.S.$40.58 million as of September 30, 2015.

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), $163 million in securities and $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. In October 21, 2013, the shares were sold to a group of private investors.

As of September 30, 2016, approximately 3.59% of the profits in the banking sector came from Citibank N.A. Ecuador Branch, which is 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 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 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 Superintendent of Banks, along with COSEDE, have not announced a formal restructuring plan for the bank's assets. Banco Sudamericano S.A. owned 0.55% of the total assets in the Ecuadorian banking system. As of December 31, 2015, COSEDE paid U.S.$1.77 million to depositors and a formal liquidator was appointed.

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 attain a loan at commercial banks. In January 2008, co-operative loans were at 11.1% of total non-publicly owned bank lending. As of December 31, 2015, the percentage had increased to 17.2%, or U.S.$4,301 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 Economia Popular y Solidaria* (the Superintendent of the Popular Economy, or "SEPS").

Capital Markets

Retail trading of debt and equity securities of private Ecuadorian issuers has remained relatively limited in the five years ending in 2015. Most of the trading on Ecuador’s capital markets involves the purchase and sale of bank securities and fixed income Government securities. In the last five years, Ecuador has experienced an increase in the issuance of corporate bonds. They have become an important financing alternative for companies and issuers 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 December 31, 2015, the Ecuadorian Stock Exchanges combined listed the securities of approximately 425 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 Compañias Valores y Seguros* (the “Superintendent of Companies and 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, 2015, U.S.$1,147.5 million worth of securities were traded in the secondary market, representing 23% of the Ecuadorian securities market. Repo trading represented 1.4% of the total market. As of October 31, 2016, U.S.$1,112.2 million worth of securities were traded in the secondary market, representing 15% of the Ecuadorian securities market. Repo trading represented 0.2% of the total market. The following table shows aggregate amounts of traded securities for the periods listed..

Aggregate Amounts of Traded Securities

(in millions of U.S. dollars)

	For the Year Ended December 31,					For the 10 Months Ended October 31,	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**
Repos	42.2	54.1	168.1	203.3	68.9	68.2	14.0
Other [(1)]	3,718.7	3,695.6	3,554.2	7,340.8	5,053.3	3,869.7	7,165.3
Total	3,760.9	3,749.7	3,722.3	7,544.1	5,122.2	3,937.9	7,179.3

Source: *Bolsa de Valores de Quito* (“Quito Stock Exchange”).

(1) Includes Government securities, bank securities, and commercial paper, among others.

In 2015, U.S.$5,053.3 million worth of securities were traded on the Ecuadorian Stock Exchanges, representing a decrease compared to the U.S.$7,544.1 million of the securities traded in 2014. This decrease is due to a decrease in investment by BIESS. In the first 10 months of 2016 U.S.$7,179.3 million worth of securities were traded on the Ecuadorian Stock Exchanges, representing an increase compared to the U.S.$3,937.9 million of the securities traded in the first 10 months of 2015. This increase is due to a higher level of public sector securities issues.

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 calculation of interest rates. The principal aspects of this law are:

- the prohibition on charging commissions for credit operations and pre-payments;

- 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 30,	
	2011[10]	2012[11]	2013[12]	2014[12]	2015	2015	2016
Deposit interest rate	4.5	4.5	4.5	5.2	5.1	5.1	5.5
Lending interest rate	8.2	8.2	8.2	8.2	9.1	9.2	8.4
Corporate productive lending interest rate[1]	8.2	8.2	8.2	8.2	9.2	8.0	8.8
Maximum corporate productive interest rate	9.3	9.3	9.3	9.3	9.3	9.3	9.3
Business productive lending interest rate[2]	9.5	9.5	9.5	9.6	9.8	9.6	10.2
Maximum business productive interest rate	10.2	10.2	10.2	10.2	10.2	10.2	10.2
Medium and small business productive lending interest rate[3]	11.2	11.2	11.2	11.2	10.3	10.6	11.0
Maximum medium and small business productive interest rate	11.8	11.8	11.8	11.8	11.8	11.8	11.8
Ordinary commercial lending interest rate[4]	n/a	n/a	n/a	n/a	9.0	8.4	9.3
Maximum commercial interest rate	n/a	n/a	n/a	n/a	11.8	11.8	11.8
Corporate commercial priority lending interest rate[1]	n/a	n/a	n/a	n/a	9.1	9.2	8.4
Maximum corporate commercial interest rate	n/a	n/a	n/a	n/a	9.3	9.3	9.3
Business commercial priority lending interest rate[2]	n/a	n/a	n/a	n/a	9.9	9.9	10.0
Maximum business commercial interest rate	n/a	n/a	n/a	n/a	10.2	10.2	10.2
Medium and small business commercial priority lending interest rate[3]	n/a	n/a	n/a	n/a	11.1	10.9	11.4
Maximum medium and small business commercial interest rate	n/a	n/a	n/a	n/a	11.8	11.8	11.8
Consumer lending interest rate[5]	15.9	15.9	15.9	16.0	n/a	n/a	n/a
Maximum consumer interest rate	16.3	16.3	16.3	16.3	n/a	n/a	n/a
Ordinary consumer lending interest rate[5]	n/a	n/a	n/a	n/a	16.2	16.2	16.9
Maximum consumer interest rate	n/a	n/a	n/a	n/a	17.3	17.3	17.3
Priority consumer lending interest rate[5]	n/a	n/a	n/a	n/a	16.0	16.0	16.8
Maximum priority consumer interest rate	n/a	n/a	n/a	n/a	17.3	17.3	17.3
Education lending interest rate[6]	n/a	n/a	n/a	n/a	7.1	7.2	9.5
Maximum education interest rate	n/a	n/a	n/a	n/a	9.5	9.5	9.5
Housing lending interest rate	10.6	10.6	10.6	10.7	10.9	10.8	10.8
Maximum housing interest rate	11.3	11.3	11.3	11.3	11.3	11.3	11.3
Microcredit increased accumulation lending interest rate[7]	22.4	22.4	22.4	22.3	24.3	24.1	21.4
Maximum microcredit increased accumulation interest rate	25.5	25.5	25.5	25.5	25.5	25.5	25.5
Microcredit simple accumulation lending interest rate[8]	25.2	25.2	25.2	25.2	26.9	27	25.0
Maximum microcredit simple accumulation interest rate	27.5	27.5	27.5	27.5	27.5	27.5	27.5
Microcredit subsistence accumulation lending interest rate[9]	28.8	28.8	28.8	28.6	29.0	29.2	27.2
Maximum microcredit subsistence accumulation interest rate	30.5	30.5	30.5	30.5	30.5	30.5	30.5

Source: 2015 and 2016 deposit and lending interest rates based on Central Bank October 2016 Monthly Bulletin (Table 1.10.1). Other 2015 and 2016 figures based on Central Bank October 2016 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) "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.

(9) "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.

(10) 2011 deposit and lending interest rates based on Central Bank November 2013 Monthly Bulletin (Table 1.10.1). Other 2011 figures based on Central Bank November 2013 Monthly Bulletin (Table 1.10.2).

(11) 2012 deposit and lending interest rates based on Central Bank September 2014 Monthly Bulletin (Table 1.10.1). Other 2012 figures based on Central Bank September 2014 Monthly Bulletin (Table 1.10.2).

2014 and 2013 deposit and lending interest rates based on Central Bank March 2016 Monthly Bulletin (Table 1.10.1). Other 2014 and 2013 figures based on Central Bank March 2016 Monthly Bulletin (Table 1.10.2).

Average loan interest rates on short-term and long-term loans increased from 8.2% in 2011 to 9.1% in 2015 primarily due to the effect of the rise in interest rates by the United States Federal Reserve. During the same period, the average interest rates on deposits increased from 4.5% in 2011 to 5.1% in 2015 due to the increase in demand deposits with high interest rates.

With respect to the various sectors, most loan interest rates remained stable during the period from 2011 through 2014 with the corporate productive lending interest rate remaining at 8.2%, and consumer lending rates remained at approximately 15.9% from 2011 to 2013 increasing slightly to 16.0% in 2014.

The following table sets forth the principal monetary indicators for the periods presented.

Principal Monetary Indicators

(in millions of U.S. dollars)

	As of December 31,					**As of September 30**	
	2011	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**
Currency in circulation	5,290.98	6,326.74	7,367.06	9,539.90	11,753.67	10,840.87	12,366.87
Demand deposits	6,718.79	8,100.37	8,818.04	9,068.76	7,200.95	7,500.49	8,338.71
Fractional Currency	83.20	84.52	87.33	86.58	86.26	87.19	85.22
M1	**12,092.97**	**14,511.62**	**16,272.43**	**18,695.32**	**19,041.49**	18,429.31	20,793.70
Savings	1,594.78	2,360.24	3,898.14	3,506.05	3,053.45	2,493.17	4,878.66
Term deposits	14,464.01	16,393.88	18,778.71	21,409.05	20,608.95	20,575.06	22,456.88
M2 (M1 plus term deposits)	**26,556.98**	**30,905.50**	**35,051.14**	**40,104.37**	**39,637.72**	**39,004.37**	**43,250.58**

Source: Based on figures from the Central Bank October 2016 Monthly Bulletin (Table 1.1.1). Figures from 2010 and 2011 based on March 2013 Monthly Bulletin, figures from 2012 based on the March 2014.

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 are 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, international prices of fertilizer and agricultural commodities also increased. As a result of these increases, Ecuador fixed prices for some of these goods and limited the export of various agricultural products. During 2011, 2012, 2013 and 2014 the inflation rate was 5.4%, 4.2%, 2.7% and 3.7%, respectively. The decrease in the inflation rate from 4.2% in 2012 to 2.7% in 2013 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 3.7%. This increase is due to an increase in the prices of housing, water and electricity services during the period. For the twelve-month period ending December 31, 2015, the inflation rate decreased to 3.4%. This decrease is due to a decrease in the price of certain foods, primarily shrimp and chicken. Inflation decreased from 3.4% for the twelve-month period ended November 30, 2015 to 1.1% for the twelve-month period ended November 30, 2016 due to a decrease in the price of certain foods and non-alcoholic beverages.

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 2011	5.4
December 2012	4.2
December 2013	2.7
December 2014	3.7
December 2015	3.4
November 2015	3.4
November 2016	1.1

Source: Based on figures from the Central Bank October 2016 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 (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 the time period. The National Development Plan for 2013 to 2017 was released in August of 2013.

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 Finance and the Central Bank. The Ministry of 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 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 *Secretaría Nacional de Planificación y Desarrollo* (the "National Secretary of Planning and Development" or "SENPLADES"). 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 social and productive sectors of the economy to strengthen the economic performance while limiting the 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.

At the request of the Ministry of 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 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 Finance to issue *Certificados de Tesorería* ("short-term treasury notes" or "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 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. 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, 2015, International Reserves (defined herein) cover 9.5% of current account payments. For more information regarding International Reserves, please see "Balance of Payments – International Reserves." The Government received external funding from FLAR, which in September 2012 disbursed a balance-of-payments back-up credit of U.S.$514.6 million. The China Development Bank also disbursed U.S.$500 million. In the first several months of 2013, the Government received U.S.$1.4 billion from China Development Bank under a new line of credit that was negotiated in December 2012. These funds were used to restore Ecuador's International Reserves.

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,										January 1 – September 30,	
	2011	% of GDP	2012	% of GDP	2013	% of GDP	2014	% of GDP	2015	% of GDP	2015	2016
Revenue												
Petroleum Revenue												
Exports[1]	12,935	16.3	12,220	13.9	11,433	12.0	10,906	10.7	6,346	6.3	5,057	3,449
Domestic Sales	-	-	-	-	-	-	-	-	-	-	-	-
Total Petroleum Revenue (a)	**12,935**	**16.3**	**12,220**	**13.9**	**11,433**	**12.0**	**10,906**	**10.7**	**6,346**	**6.3**	**5,057**	**3,449**
Non-petroleum revenue												
Income Tax	3,030	3.8	3,313	3.8	3,847	4.0	4,161	4.1	4,734	4.7	4,028	2,926
Value-added Tax	4,200	5.3	5,415	6.2	6,056	6.4	6,376	6.2	6,352	6.3	4,898	3,974
Specific consumption taxes	618	0.8	685	0.8	744	0.8	803	0.8	840	0.8	656	566
International trade taxes	1,156	1.5	1,261	1.4	1,352	1.4	1,357	1.3	2,026	2.0	1,514	1,237
Social Security Contributions	3,971	5.0	4,756	5.4	4,547	4.8	4,718	4.6	5,055	5.0	3,864	3,486
Other[2]	3,514	4.4	4,353	5.0	6,084	6.4	6,524	6.4	6,935	6.9	5,281	5,716
Total non-petroleum revenue (b)	**16,489**	**20.8**	**19,783**	**22.5**	**22,630**	**23.8**	**23,939**	**23.4**	**25,942**	**25.9**	**20,241**	**17,904**
Operating Income of Public Companies (c)	**1,766**	**2.2**	**2,567**	**2.9**	**3,196**	**3.4**	**4,187**	**4.1**	**1,298**	**1.3**	**1,227**	**445**
Total Revenue (a+b+c)	**31,190**	**39.3**	**34,570**	**39.3**	**37,260**	**39.2**	**39,032**	**38.2**	**33,586**	**33.5**	**26,524**	**21,798**
Expenses												
Current Expenditures												
Interest	502	0.6	652	0.7	971	1.0	1,024	1.0	1,368	1.4	1,018	1,125
Foreign	452	0.6	533	0.6	714	0.8	829	0.8	1,143	1.1	862	963
Domestic	50	0.1	119	0.1	257	0.3	195	0.2	224	0.2	156	162
Wages and salaries	7,265	9.2	8,345	9.5	8,896	9.4	9,478	9.3	9,904	9.9	6,986	7,140
Purchases of goods and services	2,543	3.2	3,473	3.9	4,435	4.7	5,328	5.2	5,112	5.1	3,267	2,740
Social Security	3,205	4.0	3,335	3.8	3,410	3.6	3,665	3.6	4,215	4.2	3,013	3,308
Others	8,428	10.6	8,626	9.8	9,265	9.7	9,497	9.3	6,884	6.9	5,224	3,946
Total Current Expenditure	**21,943**	**27.7**	**24,431**	**27.8**	**26,977**	**28.4**	**28,992**	**28.3**	**27,482**	**27.4**	**19,508**	**18,259**
Capital Expenditure and net lending												
Gross capital formation	9,014	11.4	10,312	11.7	14,039	14.8	13,980	13.7	10,345	10.3	7,059	6,349
Central Government	5,297	6.7	6,191	7.0	8,506	8.9	8,290	8.1	5,542	5.5	3,463	3,311
Public Companies	2,152	2.7	2,497	2.8	3,988	4.2	4,218	4.1	3,285	3.3	2,495	1,918
Rest of General Government	1,566	2.0	1,624	1.8	1,545	1.6	1,472	1.4	1,518	1.5	1,101	1,120
Other Capital Expenditure	334	0.4	650	0.7	592	0.6	1,375	1.3	850	0.8	575	519
Total Capital Expenditure	**9,348**	**11.8**	**10,963**	**12.5**	**14,631**	**15.4**	**15,354**	**15.0**	**11,195**	**11.2**	**7,634**	**6,869**
Total Expenditure	**31,290**	**39.5**	**35,394**	**40.3**	**41,607**	**43.7**	**44,346**	**43.4**	**38,676**	**38.6**	**27,142**	**25,128**
Surplus/Deficit	**-100**	**-0.1**	**-824**	**-0.9**	**-4,348**	**-4.6**	**-5,314**	**-5.2**	**-5,091**	**-5.1**	**-618**	**-3,330**

Source: Based on figures from the October Central Bank 2016 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.

For the five-year period from 2011 to 2015, the amount of total revenues totaled approximately 89% of the budgeted targeted amount. The increase in the year to year deficit from 2011 to 2015 was due to increased Government spending during each year, particularly in wages and salaries and interest payments in connection with debt obligation, and in 2015 was also due to the decline in oil prices.

In 2011, the non-financial public sector registered a deficit of U.S.$100 million (equivalent to less than 0.1% of GDP). In 2011, total expenditures totaled U.S.$31,290 million (equivalent to 39.5% of GDP) and total revenues totaled U.S.$31,190 million (equivalent to 39.3% of GDP).

In 2012, the non-financial public sector registered a deficit of U.S.$824 million (equivalent to -0.9% of GDP). In 2012, total expenditures totaled U.S.$35,394 million (equivalent to 40.3% of GDP) and total revenues totaled U.S.$34,570 million (equivalent to 39.3% of GDP).

In 2013, the non-financial public sector registered a deficit of U.S.$4,348 million (equivalent to -4.6% of GDP). This deficit was due to an increase in public sector investment, primarily in infrastructure projects financed by bilateral debt. The increase in spending on infrastructure projects is due to a number of projects that had been in the planning or initial stages in previous years and that reached or accelerated the construction phase in 2013 (including the Coca Codo Sinclair hydroelectric project, the Sopladora hydroelectric project, the Minas San Francisco hydroelectric project and the Cañar-Naranjal flood control project) and therefore required increased expenditures as construction began or accelerated. Total expenditures totaled U.S.$41,607 million (equivalent to 43.9% of GDP) and total revenues totaled U.S.$37,260 million (equivalent to 39.3% of GDP).

In 2014, the non-financial public sector registered a deficit of U.S.$5,314 million, equivalent to -5.3% 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 43.9% of GDP) and total revenues totaled U.S.$39,032 million (equivalent to 38.7% of GDP) in 2014.

In 2015, the non-financial public sector registered a deficit of U.S.$5,091 million, equivalent to -5.1% of GDP. This deficit, while smaller than the deficit in 2014, was the result of decreased petroleum revenue. Total expenditures totaled U.S.$38,676 million (equivalent to 39% of GDP) and total revenues totaled U.S.$33,586 million (equivalent to 33.9% of GDP) in 2015.

In the first nine months of 2016, the non-financial public sector registered a deficit of U.S.$3,330 million compared to a deficit of U.S.$618 million in the first nine months of 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 the first nine months of 2016, total revenues for the non-financial public sector totaled U.S.$21,798 million, a decrease from U.S.$26,524 million in the first nine months of 2015. In the first nine months of 2016, total expenditures for the non-financial public sector totaled U.S.$25,128 million, a decrease compared to U.S.$27,142 in the first nine months of 2015.

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 Central Government Sector Revenue and Expenditure

(in millions of U.S.$, and as % of GDP)

	For the Year Ended December 31,										January 1 – September 30,	
	2011	% of GDP	2012	% of GDP	2013	% of GDP	2014	% of GDP	2015	% of GDP	2015	2016
Revenue[1]												
Petroleum revenue	**5,971**	**7.5**	**6,086**	**6.9**	**4,677**	**4.9**	**3,765**	**3.7**	**2,264**	**2.3**	**1,701**	**1,355**
Non-petroleum revenue....................	**11,227**	**14.2**	**13,437**	**15.3**	**15,723**	**16.5**	**16,616**	**16.2**	**18,081**	**18.0**	**14,310**	**12,467**
Tax revenue												
Taxes on goods and services												
Value-added tax	4,200	5.3	5,415	6.2	6,056	6.4	6,376	6.2	6,352	6.3	4,898	3,974
Selected excise taxes.......................	618	0.8	685	0.8	744	0.8	803	0.8	840	0.8	656	566
Total taxes on goods and services......	4,818	6.1	6,100	6.9	6,800	7.1	7,179	7.0	7,192	7.2	5,554	4,540
Taxes on income and profits................	3,030	3.8	3,313	3.8	3,847	4.0	4,161	4.1	4,734	4.7	4,028	2,926
Taxes on International Trade												
Import duties	1,156	1.5	1,261	1.4	1,352	1.4	1,357	1.3	2,026	2.0	1,514	1,237
Exit tax[2]	558	0.7	1,275	1.5	1,322	1.4	1,406	1.4	1,278	1.3	1,008	614
Total taxes on international trade........	1,714	2.2	2,536	2.9	2,675	2.8	2,763	2.7	3,304	3.3	2,522	1,851
Vehicle tax...	174	0.2	195	0.2	214	0.2	228	0.2	223	0.2	182	153
Other taxes...	28	0.0	111	0.1	132	0.1	129	0.1	135	0.1	110	1,162
Total tax revenue	**9,765**	**12.3**	**12,255**	**13.9**	**13,668**	**14.4**	**14,460**	**14.1**	**15,588**	**15.6**	**12,397**	**10,633**
Non-tax revenue	**1,210**	**1.5**	**1,128**	**1.3**	**1,961**	**2.1**	**2,061**	**2.0**	**2,021**	**2.0**	**1,472**	**1,585**
Transfers	**252**	**0.3**	**54**	**0.1**	**95**	**0.1**	**95**	**0.1**	**471**	**0.5**	**442**	**250**
Total revenues	**17,198**	**21.7**	**19,523**	**22.2**	**20,400**	**21.4**	**20,381**	**19.9**	**20,344**	**20.3**	**16,011**	**13,822**
Current expenditure												
Interest accrual												
Foreign	357	0.5	465	0.5	652	0.7	715	0.7	971	1.0	733	825
Domestic	316	0.4	363	0.4	516	0.5	682	0.7	789	0.8	504	519
Total interest accrual............................	673	0.8	828	0.9	1,169	1.2	1,397	1.4	1,759	1.8	1,238	1,344
Wages and salaries................................	6,466	8.2	7,353	8.4	7,897	8.3	8,359	8.2	8,761	8.7	6,174	6,319
Purchase of goods and services...........	1,279	1.6	1,658	1.9	2,035	2.1	2,490	2.4	2,409	2.4	1,684	1,321
Other current expenditures..................	983	1.2	900	1.0	1,696	1.8	998	1.0	691	0.7	529	457
Transfers...	998	1.3	1,258	1.4	1,511	1.6	1,737	1.7	863	0.9	703	681
Total current expenditure	**10,399**	**13.1**	**11,996**	**13.6**	**14,308**	**15.0**	**14,981**	**14.6**	**14,484**	**14.5**	**10,326**	**10,121**
Capital expenditure												
Fixed capital expenditure	5,174	6.5	6,191	7.0	8,506	8.9	8,290	8.1	5,542	5.5	3,463	3,311
Other..	159	0.2	328	0.4	-	-	22	-	16	-	16	272
Capital Transfers.................................	2,703	3.4	2,724	3.1	3,048	3.2	3,501	3.4	4,108	4.1	3,098	2,338
Total capital expenditure..................	**8,035**	**10.1**	**9,244**	**10.5**	**11,554**	**12.1**	**11,812**	**11.5**	**9,665**	**9.6**	**6,576**	**5,922**
Total Expenditure[2]..........................	**18,435**	**23.3**	**21,240**	**24.2**	**25,861**	**27.2**	**26,794**	**26.2**	**24,149**	**24.1**	**16,902**	**16,043**
Adjustment on treasury accounts........	-	-	-	-	-	-	-	-	-	-	-	-
Overall surplus or deficit.....................	-1,236	-1.6	-1,717	-2.0	-5,461	-5.7	-6,413	-6.3	-3,805	-3.8	-892	-2,221

Source: Based on figures from the Central Bank October 2016 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 2011, Central Government revenues totaled U.S.$17,198 million (equivalent to 21.7% of GDP), of which U.S.$5,971 million (equivalent to 7.5% of GDP) corresponds to petroleum revenue, U.S.$9,765 million (equivalent to 12.3% of GDP) corresponds to tax revenue, U.S.$1,210 million (equivalent to 1.5% of GDP) corresponds to non-tax revenue and U.S.$252 million (equivalent to approximately 0.3% of GDP) is in respect of transfers received.

In 2012, Central Government revenues totaled U.S.$19,523 million (equivalent to 22.2% of GDP), of which U.S.$6,086 million (equivalent to 6.9% of GDP) corresponds to petroleum revenue, U.S.$12,255 million (equivalent to 13.9% of GDP) corresponds to tax revenue, U.S.$1,128 million (equivalent to 1.3% of GDP) corresponds to non-tax revenue and U.S.$54 million (equivalent to approximately 0.1% of GDP) is in respect of transfers received.

In 2013, Central Government revenues totaled U.S.$20,400 million (equivalent to 21.5% of GDP), of which U.S.$4,677 million (equivalent to 4.9% of GDP) corresponds to petroleum revenue, U.S.$13,668 million (equivalent to 14.4% of GDP) corresponds to tax revenue, U.S.$1,961 million (equivalent to 2.1% 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 2014, Central Government revenues totaled U.S.$20,381 million (equivalent to 20.2% of GDP), of which U.S.$3,765 million (equivalent to 3.7% of GDP) corresponds to petroleum revenue, U.S.$14,460 million (equivalent to 14.3% 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.$20,344 million (equivalent to 20.2% of GDP), of which U.S.$2,264 million (equivalent to 2.2% of GDP) corresponds to petroleum revenue, U.S.$15,588 million (equivalent to 15.5% 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.

Total revenues of the Central Government for the first nine months of 2016 were U.S.$13,822 million, while total expenditures were U.S$16,043 million. This results in a deficit of U.S.$2,221 million for the first nine months of 2016, an increase compared to the deficit of U.S.$892 million for the first nine months of 2015. This increase in the deficit is primarily due to decreased petroleum revenue.

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 shall promote redistribution and shall 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. The value added tax has been the largest component of tax revenues in the past five years, generating U.S.$6,352 million of total tax revenues in 2015 and steadily increasing since 2011. This increase is not due to an increased rate, which has held steady at 12% for the past eight years. Instead, the increase in revenues is 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. For the first nine months of 2016 the value added tax generated U.S.$3,974 million, a decrease from U.S.$4,898 million generated from the value added tax for the first nine months of 2015.

The second largest component of tax revenues is income tax, which accounted for U.S.$4,734 million of tax revenues in 2015. For the first nine months of 2016, income tax revenues accounted for U.S.$2,927 million, a decrease from U.S.$4,028 million generated by income taxes for the first nine months of 2015. 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, the standard corporate tax rate is planned to decrease to back to 22% for 2017.

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 is due to several tax reforms implemented during this period.

Tax Reforms

Historically, many individuals and companies did not pay taxes in Ecuador. Upon taking office, 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 value added tax ("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) 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. Also, Ecuador believes that the decrease in the corporate tax rate to 22% in 2013, compared to 25% in 2012, has encouraged business growth and allowed for a larger corporate tax base.

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, the Ministry of Production and Industrialization introduced a U.S.$42 flat tax rate on all international online purchases under U.S.$400 and up to 4 kilograms. Before the introduction of this tax only international online purchases in excess of $400 and 4 kilograms were subject to tax. This tax is intended to encourage local market consumption by discouraging small online purchases made outside the country. The tax will be imposed on shipping companies for each package that enters the country. Packages shipped through certain state-owned postal services subject to international treaties will be exempt from the tax. Books for students for educational purposes are also exempt.

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 2011, Central Government expenditure as a percentage of GDP was 23.3%. Overall expenses in 2011 constituted U.S.$18,435 million. Since then, the amount of Central Government expenditures has steadily increased to U.S.$26,794 million in 2014 before decreasing to U.S.$24,149 million in 2015. The increases in Central Government spending from 2011 through 2014 can be primarily attributed to increases in (1) wages and salaries, which have increased, in absolute terms, from U.S.$6,466 million in 2011 (when they constituted 35% of Central Government spending and 8.2% of total GDP) to U.S.$8,359 million in 2014 (when they constituted 31.2% of Central Government spending and 8.3% of total GDP) and (2) fixed capital expenditures, which have increased from U.S.$5,174 million in 2011 (when they constituted 28% of Central Government spending and 6.6% of total GDP) to U.S.$8,290 million in 2014 (when they constituted 31% of Central Government spending and 8.2% of total GDP). The Government increased the amount of investment in infrastructure projects, especially highways, bridges, and hydroelectric plants during this period. For more information see "The Ecuadorian Economy – Strategic Sectors of the Economy." In 2015, while wages and salaries, increased by 4.8% from 2014 to U.S.$ 8,761 million (constituting 36% of Central Government spending and 8.7% of total GDP), fixed capital expenditures, decreased by 33.1% from 2014 to U.S.$ 5,542 million (constituting 23% of Central Government spending and 5.5% 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. For more information, see "The Ecuadorian Economy – Strategic Sectors of the Economy."

For the first nine months of 2016, overall expenses of the Central Government were U.S$16,043 million, compared to U.S.$16,902 million for the first nine months of 2015.

2015, 2016, and 2017 Budgets

On October 31, 2014, the executive branch presented the 2015 draft budget to the National Assembly, which proposed a budget of U.S.$36.3 billion for the year, a 5.8% increase from the U.S.$34.3 billion budget for 2014. The draft budget, as presented, was approved by the National Assembly on November 20, 2014 and became effective on January 1, 2015.

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. The 2015 budget, as modified in January 2015, assumed an average crude oil price of U.S.$60 per barrel. The adjustments included a reduction of U.S.$839.8 million in investment expenditures and U.S.$580 million in current expenditures. The reductions were made primarily in the following sectors: national treasury (U.S.$276 million), education (U.S.$255 million), communications (U.S.$229 million), health (U.S.$169 million), agriculture and fishing (U.S.$100 million).

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. The adjustments reduced current expenses by U.S.$100 million and investment costs by U.S.$700 million. According to a statement by the Minister of

Finance on August 19, 2015, the reduction in investment costs were for projects that could be deferred for later years and whose deferment will not affect the growth of the economy.

On October 31, 2015, the executive branch presented the 2016 draft budget to the National Assembly which proposed a budget of U.S.$29.8 billion for the year, a 17.9% decrease from the U.S.$36.3 billion originally proposed for the 2015 budget and a 12.4% decrease from the U.S.$34.1 billion adjusted budget for 2015. It assumes an average crude oil price of U.S.$35.00 per barrel, which represents a 56% decrease from the U.S.$79.70 per barrel assumption of the original 2015 budget. The draft budget also estimates that there will be a budget deficit equivalent to 2.4% of GDP and a GDP growth of 1%. Excluding financing, the initial draft budget provides for U.S.$25.7 billion in expenses, comprised of U.S.$8.8 billion in salaries and wages, U.S.$4.7 billion in consumer goods and services, U.S.$3.4 billion in capital transfers and donations, U.S.$4.4 billion in other investment expenses and U.S.$4.5 billion in other expenses. Total revenues under the draft budget are U.S.$23.2 billion, including U.S.$17.3 billion in taxes, rates and contributions, U.S.$4.8 billion in current transfers and donations and U.S.$1.2 billion in other revenues. The draft budget, as presented, was approved by the National Assembly on November 24, 2015 and became effective on January 1, 2016.

From time to time, the Ministry of Finance revises and adjusts the sources and uses of funds initially provided for in the draft budget. On March 3, 2016, the Minister of Finance announced that the 2016 Budget would be adjusted by approximately U.S.$800 million. The Minister specified that approximately U.S.$400 million would be reduced from investment and current expenses and that there would also be reductions to the budgets of the Autonomous Decentralized Governments. As of the date of this Offering Circular, the Ministry of Finance has made reductions in their estimates of revenue forecasts for non-petroleum revenue by U.S.$780 million, income tax by U.S.$507 million, value added tax by U.S.$818 million, and the Currency Outflow Tax by U.S.$209 million as compared to the original 2016 Budget revenue forecasts. In addition, while making reductions to permanent expenses by U.S.$203 million and wages and salaries by U.S.$284 million, the Ministry of Finance has increased its projected expenses for the provision of goods and services by U.S.$137 million and other non-permanent costs by U.S.$965 million, both as compared to the original 2016 Budget revenue forecasts. The Ministry of Finance has also increased its estimated projection for financing needs from U.S.$6,602 million to approximately U.S.$12,878 million. These adjustments are expected to increase the deficit by approximately U.S.$982 million.

Pursuant to Article 295 of the 2008 Constitution, during a presidential election year, the national budget is to be presented for National Assembly approval within the first 90 days of the term of the next president. Accordingly, the 2017 budget (“2017 Budget”) will be presented for National Assembly approval within the first 90 days of the term of the next president, which is scheduled to begin on May 24, 2017. In the interim period, Article 107 of the Public Planning and Finance Code provides that the total amount of the budget for the preceding year, which in this case is the 2016 Budget, as initially approved by the National Assembly, will be used as the working budget for 2017 until the 2017 Budget is approved. Article 118 of the Public Planning and Finance Code, grants the Ministry of Finance the authority to modify any approved budget in an amount up to 15% of any approved allocation. The Ministry of Finance will have the authority to modify the 2016 Budget while it is being used as the working budget for 2017 and until the 2017 Budget is approved.

PUBLIC DEBT

General

Public sector debt, including internal and external debt of the financial and non-financial public sector and the external Central Bank debt balance, was U.S.$32,771.2 as of December 31, 2015, compared to U.S.$30,140.2 million as of December 31, 2014, U.S.$22,846.7 million as of December 31, 2013, U.S.$18,652.3 million as of December 31, 2012 and U.S.$14,561.8 million as of December 31, 2011. The increase in public sector debt in 2015 was mainly due to the issuance of the 2020 Bonds. The ratio of total public sector debt to GDP increased from 29.9% as of December 31, 2014 to 32.5% as of December 31, 2015. Interest payments on all debt obligations represent approximately 1.8% of GDP.

Since President Correa was elected in 2007, Ecuador has changed the focus of its public debt. Ecuador has focused on its relationships with Latin American-based multilateral entities and new bilateral partners, such as China. Ecuador has executed several loan agreements with China in the past five years and continues to collaborate with long-time partners such as Spain and Brazil. In Latin America, Ecuador has strengthened ties with IDB, CAF, and FLAR.

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 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 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 executed by the Ministry of 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 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 foreign applicable law and/or arbitration in a foreign jurisdiction. Loan proceeds are disbursed to the Ministry of 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 as a mechanism to ensure that Ecuador does not reach the high levels of debt it had incurred before the Correa administration. The system of authorization through the Constitution and the Debt and Finance Committee, plus the 40% of GDP debt 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. Upon the issuance of the Notes, the ratio of total public sector debt to GDP (including this issuance) will be 35.6%.

External Debt

The total external debt of the public sector in Ecuador was U.S.$20.23 billion as of December 31, 2015, compared to U.S.$17.58 billion as of December 31, 2014, U.S.$12.92 billion as of December 31, 2013, U.S.$10.87 billion as of December 31, 2012, and U.S.$10.06 billion as of December 31, 2011. The increase in public sector external debt since December 31, 2011 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 and 2024 Bonds. The total external debt of the public sector in Ecuador as of October 31, 2016 was U.S.$24.6 billion, an increase from U.S.$20.31 billion as of October 31, 2015.

The following table sets forth information regarding Ecuador's public sector external debt as of dates indicated.

Public Sector External Debt

(by debtor, in billions of U.S. dollars at the end of the year, except percentages)

	As of December 31,					As of October 31,
	2011	2012	2013	2014 [(1)]	2015 [(2)]	2016
Central Government	9.18	9.88	11.86	15.43	18.18	21.94
Public financial and non-financial entities	0.88	0.99	1.06	2.15	2.04	2.63
Total	**10.06**	**10.87**	**12.92**	**17.58**	**20.23**	**24.58**
External public debt as a percentage of nominal GDP[(3)]	12.7%	12.4%	13.6%	17.2%	20.2%	25.5%

Source: Ministry of Finance October 2016 Bulletin.

(1) Includes the 2024 Bonds.

(2) Includes the 2020 Bonds.

(3) Calculated using Central Bank GDP data, except for October 2016 percentage which is calculated using estimates from the Ministry of Finance and the Central Bank.

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 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 billions of U.S. dollars)

	As of December 31,					As of October 31,
	2011	2012	2013	2014	2015	2016
Multilateral	5.29	5.87	6.01	6.56	7.93	8.03
Bilateral	3.62	3.87	5.75	6.15	6.42	7.86
Commercial and Bonds	1.14	1.13	1.16	4.88	5.87	8.68
Total Public Sector External Debt	**10.06**	**10.87**	**12.92**	**17.58**	**20.23**	**24.58**

Source: Ministry of Finance October 2016 Bulletin.

The increase in bilateral debt of the Government and public financial and non-financial entities from December 31, 2011 to December 31, 2015 was due mainly to new debt being obtained from bilateral lenders rather than from the international bond markets, following the repurchase by the Government of the 2012 and 2030 Bonds. For more information see "Public Debt – Debt Obligations – 2012 and 2030 Bonds and tender offer."

Total indebtedness owed to multilateral institutions was U.S.$7.93 billion as of December 31, 2015 and U.S.$8.03 million as of October 31, 2016. The Government is current on all its obligations to multilateral institutions.

As of December 31, 2014, the top three bilateral lenders to Ecuador were China, Brazil and Spain, with debt levels of U.S.$5,074.4 million (63.7% of the total bilateral debt), U.S.$302.8 million (3.8% of the total bilateral debt) and U.S.$158.1 million (1.9% of the total bilateral debt), respectively.

As of December 31, 2015, the top three bilateral lenders to Ecuador continued to be China, Brazil and Spain, with debt levels of U.S.$5,295.4 million (85.4% of the total bilateral debt), U.S.$295.5 million (4.5% of the total bilateral debt) and U.S.$140.6 million (2.2% of the total bilateral debt), respectively. The Government is current on all of its obligations to bilateral lenders.

As of October 31, 2015, the top three bilateral lenders to Ecuador were China, Spain and Brazil, with debt levels of U.S.$ 5,228.3 million (86.6 % of the total bilateral debt), U.S.$ 139.5 million (2.31 % of the total bilateral debt) and U.S.$ 311.3 million (5.16 % of the total bilateral debt), respectively. As of October 31, 2016, the top three bilateral lenders to Ecuador were China, Brazil and Spain, with debt levels of U.S.$ 6,842.0 million (89.3 % of the total bilateral debt), U.S.$ 249.8 million (3.26 % of the total bilateral debt) and U.S.$ 132.3 million (1.72 % of the total bilateral debt) respectively.

From 2010 to 2014, Ecuador has entered into three separate loan agreements with China Development Bank totaling U.S.$5 billion, 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, such as WTI plus or minus a spread, plus a premium paid due to the term of the contracts. The spread is calculated using Argus, a crude oil price assessment publication ("Argus") and 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 billion, was repaid in its entirety, at the end of its original four-year term. The second loan agreement, signed in 2011, totaling U.S.$2 billion, has an eight-year term. The third loan agreement, signed in 2012, totaling U.S.$1 billion, has an eight-year term.

On January 7, 2015, Ecuador entered into a memorandum of understanding with China Development Bank in connection with a loan of up to U.S.$1.5 billion. The proceeds of the loan under the memorandum of understanding are to be used for eligible infrastructure and development projects in Ecuador.

On April 29, 2016, Ecuador entered into a fourth loan agreement with China Development Bank for U.S.$2 billion with a maturity of eight years. The agreement was related to a multi-party contractual structure involving a crude oil delivery contract entered into with PetroChina.

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 October 31, 2016
Multilateral					
IBD	Variable	U.S.$	1966- 2016	2016-2049	4,326.6
CAF	Variable	U.S.$	2005- 2016	2016-2031	3,109.5
FLAR	Variable	U.S.$	2014	2017	308.8
Others [(1)]	Fixed, Variable	Euro, U.S.$	1996- 2016	2016-2051	287.2

Total Multilateral Debt					**8,032.1**
Bilateral					
China	Fixed, Variable	RMB, U.S.$	2010-2016	2019-2036	6,842.0
Brazil	Variable	U.S.$	2000-2013	2018-2023	249.8
Spain	Fixed	U.S.$	1987-2016	2016-2042	132.3
Italy	Fixed	Euro	1995-2015	2025-2047	3.9
Japan	Fixed, Variable	Yen	1988-2014	2018-2026	45.6
Others [2]	Fixed, Variable	DEG, Won, Libra, Chf	1985-2015	2016-2053	386.0
Total Bilateral Debt					**7,659.6**
Other Debt [3] [4]					**8,883.7**
Total External Debt					**24,575.5**

Source: Ministry of Finance as of November 2016.

(1) Other multilateral loans include loans with the International Fund for Agricultural Development and the *Banco Internacional de Reconstrucción y Fomento.*

(2) Includes amounts from loans to Paris Club members.

(3) Other bilateral lenders include South Korea, Germany, France, and the United States, among others.

(4) "Other debt" includes commercial debt and amounts owed under the 2030 Bonds, the 2020 Bonds, the 2024 Bonds and the Brady Bonds.

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

	At December 31, 2014		At December 31, 2015		At October 31, 2016	
	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%	697.0	3.9%	844.9	4.2%	928.7	3.8%
3-5%	336.7	1.9%	249.0	1.2%	129.8	0.5%
5-8%[1]	8,063.2	45.9%	8,005.0	39.6%	9,315.9	37.9%
More than 8%[2]	994.2	5.6%	1,859.2	9.2%	3,874.1	15.8%
Floating Rate	7,490.9	42.6%	9,267.1	45.8%	10,327.0	42.0%
Total	**17,581.3**	**100%**	**20,225.2**	**100%**	**24,575.5**	**100%**

Source: 2014 Figures from Ministry of Finance December 2014 Bulletin; 2015 Figures from Ministry of Finance December 2015 Bulletin. 2016 Figures from Ministry of Finance October 2016 Bulletin.

(1) Reflect the amounts under the 2024 Bonds and 2020 Bonds.

(2) Reflects the amounts under the 2030 and the 2015 Bonds.

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 2016-2026

(in millions of dollars)

	For the Year Ending December 31,										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Central Government	**3,759.9**	**3,387.7**	**3,062.7**	**4,295.0**	**2,292.5**	**4,057.4**	**1,803.1**	**3,484.4**	**1,179.4**	**858.8**	**1,232.9**
Principal	2,424.3	2,127.1	1,896.0	3,300.2	1,466.3	3,409.0	1,329.4	3,153.4	977.6	692.8	1,094.2
Interest	1,335.6	1,260.6	1,166.7	994.8	826.3	648.4	473.8	331.0	201.8	166.0	138.7
Rest of Public Sector	**661.3**	**688.0**	**618.4**	**432.1**	**261.6**	**187.6**	**162.9**	**144.3**	**126.5**	**113.6**	**91.2**

Principal	501.2	553.9	517.2	356.9	208.1	142.1	123.1	109.4	96.0	87.3	68.6
Interest	160.1	134.0	101.2	75.2	53.4	45.4	39.9	35.0	30.5	26.4	22.5
Total Debt Service	**4,421.2**	**4,075.6**	**3,681.2**	**4,727.1**	**2,554.1**	**4,244.9**	**1,966.1**	**3,628.7**	**1,305.9**	**972.4**	**1,324.1**

Source: Ministry of Finance as of October 2016

Internal Debt

The Government's internal debt consists of obligations to both public sector and private entities. Public sector internal debt increased from U.S.$4.51 billion as of December 31, 2011 to U.S.$12.55 billion as of December 31, 2015, due primarily to increased issuances of long and short term government notes. As of October 31, 2016, public sector internal debt was U.S.$12.5 billion, an increase from U.S.12.10 billion as of October 31, 2015.

The following table sets forth the public sector internal debt for the periods presented.

Public Sector Internal Debt
(in billions of U.S. dollars, except percentage)

	As of December 31,					As of October 31,
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
Central Government Notes..	3.66	6.95	9.12	11.78	11.78	11.77
Governmental Entities [1]...	0.85	0.83	0.80	0.78	0.77	0.76
Total	**4.51**	**7.78**	**9.93**	**12.56**	**12.55**	**12.53**
Internal public debt as a percentage of nominal GDP[2].......	5.7%	8.8%	10.4%	12.3%	12.5%	13.0%

Source: Ministry of Finance October 2016 Bulletin.

(1) Direct issuances backed by IESS and the Development Bank. Government is the debtor under all internal debt issuances.

(2) Calculated using Central Bank GDP data except September 2016 figure which is based on Ministry of Finance estimate of projected GDP, which differs from look-back data from the Central Bank.

As of December 31, 2015, approximately 93.9% 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 Finance. As of December 31, 2015, approximately 6.5% of Ecuador's internal public indebtedness is held by Governmental Entities, such as IESS and the Development Bank.

The Ministry of 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 Internal Debt
(in millions of U.S.$, except percentages)

	As of December 31, 2015										As of October 30,	
	2011		**2012**		**2013**		**2014**		**2015**		**2016**	
	U.S.$	**%**	**U.S.$**	**%**	**U.S.$**	**%**	**U.S.$**	**%**	**U.S.$**	**%**	**U.S.$**	**%**
Short-term notes............	–	–	–	–	–	–	–	–	–	–	–	–
Long-term notes [1]	3,525	78.2	6,817	87.6	8,992	90.6	11,779	93.8	11,780	93.9	11,70.8	93.9
AGD notes [2]	133	3.0	133	1.7	133	1.3	–	–	–	–	–	–
CFN notes [3]	–	–	–	–	_	_	–	–	–	–	–	–
Total notes.....................	3,659	81.2	6,950	89.3	9,125	91.9	11,779	93.8	11,780	93.9	11,641	93.8
Governmental Entities[4]	848	18.8	830	10.7	802	8.1	780	6.2	767	6.1	762	6.1
Total internal debt	**4,507**	**100**	**7,781**	**100**	**9,927**	**100**	**12,558**	**100**	**12,546**	**100**	**12,533**	**100**

Source: Ministry of Finance October 2016 Bulletin.

(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, 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 and they had 7 and 11-year terms with semi-annual payments of principal and interest at Libor plus 180 days margin.

Direct issuances backed by IESS and the Development Bank.

Ecuador has not issued any short-term debt (maturity equal to or less than one year), and it does not intend to issue such debt in the future. 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 Quito and Guayaquil stock exchanges, and are currently held by both public and private holders.

Decree 1218

On October 25, 2016, pursuant to Article 147, Clause 13 of the 2008 Constitution, President Correa exercised his presidential authority to issue implementing regulations and signed Decree 1218, which modifies Article 135 of the Public Planning and Finance Code. Decree 1218 changes the methodology that the Ministry of Finance uses to calculate the total public debt to GDP ratio for the purpose of establishing whether the total public debt ceiling of of 40% established in Article 124 of the Public Planning and Finance Code has been exceeded. Under Decree 1218, the Ministry of Finance will now use the Total Consolidated Public Debt methodology set out in the Manual of Public Finance Statistics of the IMF (the “IMF GFS”). 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. In contrast, the aggregation methodology, which the Ministry of 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 eliminates certain types of debt from the calculation and, by extension, reduces the amount of total public debt taken into account for purposes of the 40% total public debt to GDP ceiling. Following the enactment of Decree 1218, the Ministry of Finance has been in communication with the IMF with respect to methodologies used for measuring public debt.

The total public debt and public debt to GDP ratio information set forth in this Offering Circular is based on the aggregation methodology. The table below sets forth a comparison of the total public debt and total public debt as a percentage of GDP under both the aggregation and consolidation methodologies and reflects that the total public debt and debt to GDP ratio is lower under the consolidation methodology than under the aggregation methodology.

Debt to GDP Ratio

(in millions of U.S.$, other than percentages)

	As of December 31,					As of October 31,	
	2011	2012	2013	2014	2015	2015	2016
Aggregate Total Debt	14,561.8	18,652.3	22,846.7	30,140.2	32,771.2	32,415.7	37,108.4
Aggregate Debt to GDP Ratio (%)	18.4	21.2	24.0	29.5	32.7	32.4	38.6[2]
Consolidated Total Debt	10,432.2	11,525.5	13,957.2	18,679.2	21,272.8	21,355.2[1]	25,682.1
Consolidated Debt to GDP Ratio	13.2	13.1	14.7	18.3	21.2	21.3[1]	26.7[2]

Source: Ministry of Finance October 2016 Bulletin

[1] Based on Ministry of Finance September 2015 Bulletin.

[2] Based on Ministry of Finance estimate of projected GDP, which differs from look-back data from the Central Bank.

Decree 1218 does not affect external debt because external debt is owed to entities outside of the Ecuadorian government and is, therefore, not affected by the exclusion of intra-governmental debt. Using the aggregation methodology, the total internal debt of Ecuador as of October 31, 2016 was U.S.$12.53 billion, compared to U.S.$12.10 billion as of October 31, 2015. Using the consolidation methodology, the total internal debt of Ecuador, as of October 31, 2016, was U.S.$1.11 billion compared to U.S.$1.04 billion as of October 31, 2015. This increase (under both the aggregation and the consolidation methodologies) in internal debt is primarily due to the increased issuance of domestic long term and short term government notes. The U.S.$11.42 billion under the aggregation methodology figure for October 31, 2016 that is excluded from the equivalent consolidation methodology figure corresponds to obligations owed by the Ecuadorian government to governmental entities such as BIESS and IESS. 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.

According to the Ministry of Finance, following the issuance of the Notes and the application of proceeds, it is estimated that the Republic's total public debt to GDP will be approximately 27.7% under the consolidation methodology and approximately 39.5% under the aggregation methodology.

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 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 three percent (3%) incrementally increased over the first 10 years up to a rate of five percent (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) 10-year notes bearing-interest at LIBOR plus 13-16% and representing certain accrued and unpaid past due 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 past due 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 Bonds due 2012 (the "2012 Bonds") and U.S. dollar Denominated Step-Up Global Bonds due 2030 (the "2030 Bonds" together with the 2012 Bonds, the "2012 and 2030 Bonds") together with a cash payment for any and all of the Old Notes.

In December 2005, the Republic successfully launched an issuance of the 2015 Bonds. The use of the proceeds of the 2015 Bonds was to buy back certain of the 2012 Bonds in accordance with their terms. The Republic successfully repaid all principal and interest on the 2015 Bonds on December 15, 2015.

2012 and 2030 Bonds and tender offer

In 2008, Ecuador defaulted on its interest payments for the 2012 and 2030 Bonds in the aggregate amount of approximately U.S.$157 million and principal payments of approximately U.S.$3,200 million. The 2012 and 2030 Bonds 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 Commission of Integral Audit of Public Credit ("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 and in its report made a number of findings regarding the legitimacy of Ecuador's debt obligations (including the 2012 and 2030 Bonds), 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 President Correa's administration, Ecuador offered to repurchase the 2012 and 2030 Bonds. In April 2009 and November 2009, the Republic launched tender offers, in cash, to holders of the 2012 and 2030 Bonds. Approximately 93.22% of the bonds 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 Bonds, Ecuador has successfully repurchased additional 2012 and 2030 Bonds from remaining holders from 2009 onwards. As of the date hereof, the total aggregate amount of outstanding principal on the 2012 and 2030 Bonds is U.S.$52.1 million, which represents 1.6% of the original aggregate principal amount of the 2012 and 2030 Bonds.

On December 12, 2014, GMO Trust issued proceedings against the Republic in respect of an alleged U.S.$15,876,000 holding of the 2030 Bonds. GMO voluntarily withdrew its complaint pursuant to a settlement agreement between the parties. A stipulation dismissing the complaint was filed on March 16, 2015; under that stipulation, the case cannot be re-filed.

On January 30, 2015, Daniel Penades issued proceedings against the Republic in respect of an alleged U.S.$455,000 holding of the 2030 Bonds in the United States District Court for the Southern District of New York. Ecuador was served with a notification of the claim on September 16, 2015. On January 15, 2016, Ecuador filed a motion to dismiss. As of the date of this Offering Circular, the District Court continues to consider Ecuador's motion to dismiss.

2024 Bonds

On June 17, 2014, the Republic successfully issued U.S.$2 billion of Bonds due June 2024 (the "2024 Bonds") with a coupon of 7.95% at 100% of the purchase price. The most recent interest payment on the 2024 Bonds, which was due on June 20, 2016, was paid by the Republic in accordance with the relevant indenture. The Republic is current on its financial obligations under the 2024 Bonds and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2024 Bonds to finance its various hydroelectric projects and other infrastructure projects contemplated in its National Development Plan.

2020 Bonds

On March 24, 2015, the Republic successfully issued U.S.$750 million of Bonds due March 2020 with a coupon of 10.50% (the "Original 2020 Issuance") at 100% of the purchase price. The Republic re-opened the Original 2020 Issuance on May 19, 2015 and successfully issued an additional U.S.$750 million of Bonds at a price of 107.789%, also due 2020 (together with the Original 2020 Issuance, the "2020 Bonds"). The most recent interest payment on the 2020 Bonds, which was due on September 24, 2016, was paid by the Republic in accordance with the relevant indenture. The Republic is current on its financial obligations under the 2020 Bonds and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2020 Bonds to finance its various hydroelectric projects and other infrastructure projects contemplated in its National Development Plan.

2022 Bonds

On July 28, 2016, the Republic successfully issued U.S.$1,000 million of Bonds due 2022 with a coupon of 10.75% (the "Original 2022 Issuance") at 100% of the purchase price. The Republic re-opened the Original 2022 Issuance on September 30, 2016 and successfully issued an additional U.S.$1,000 million of Bonds at a price of 100%, also due 2022 (together with the Original 2022 Issuance, the "2022 Bonds"). The Republic is current on its financial obligations under the 2022 Bonds and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2022 Bonds to finance its various hydroelectric projects and other infrastructure projects contemplated in its National Development Plan.

Other obligations

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 and those on other credits were rescheduled over a period of eighteen years. As of the date of this Offering Circular, the Republic was 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 memorandum of understanding with China Development Bank in connection with a loan of up to U.S.$1.5 billion. The proceeds of the loan under the memorandum of understanding were to be used for eligible infrastructure and development projects in Ecuador. On the same date, Ecuador entered into a framework agreement for future cooperation with China Exim Bank. This agreement allows the Ministry of Finance to regularly submit priority lists of projects which it proposes to be financed by China Exim Bank, within three years of the date of the agreement. The initial priority list includes 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 loan is to be 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 in a term of nine years.

On March 31, 2015, Ecuador entered into a thirteen 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 of this facility are to be 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, China Exim Bank, and China Minsheng Banking Corp., Ltd. The first tranche of U.S.$820 million was disbursed in February 2016. The facility was related to a multi-party contractual structure involving a crude oil delivery contract entered into with PetroChina. The credit has an interest rate of three-month Libor plus 6.2% and has a term of five years.

In February 2016, the Republic entered into a U.S.$198 million loan agreement with China Exim Bank, to finance the first phase of Yachay. The loan agreement has a 3% interest rate and a term of 20 years.

On April 29, 2016, Ecuador entered into a fourth loan agreement with China Development Bank for U.S.$2 billion with a maturity of eight years. The agreement was related to a multi-party contractual structure involving a crude oil delivery contract entered into with PetroChina.

On July 15, 2016, Ecuador's Ministry of Finance and the Official Credit Institute of Spain (*Instituto de Crédito Oficial*), 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 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 city of Guayaquil and the city of 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 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. The Republic intends to use the proceeds of the loan towards reconstruction efforts in the areas that were affected by the Pedernales Earthquake.

On November 17, 2016, the Republic, acting through its Ministry of Finance, entered into a twenty year, U.S.$102.6 million loan facility with China Exim Bank to be used to finance the survey, design and construction with respect to the Santa Ana Aqueduct Hydraulic Stage One Project.

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 IDB to finance costs related to its emergency response program for reconstruction efforts in the areas that were affected by the Pedernales Earthquake.

DESCRIPTION OF THE NOTES

Ecuador will issue Notes (as defined below) under an indenture between Ecuador and The Bank of New York Mellon (the "Trustee"), dated December 13, 2016 (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 forms of 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. 029 dated December 8, 2016.

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 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.$750,000,000 of 9.650% Notes due 2026 (the "Notes");
- mature at par on December 13, 2026 (subject to any Optional Redemption, prepayment or repurchase);
- be issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof;
- be 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; and
- be redeemable at the option of Ecuador (see "–Optional Redemption").

Interest

Interest on the Notes will:

- accrue at the rate of 9.650% per annum;
- accrue from and including the date of issuance or the most recent payment date;
- be payable semi-annually in arrears on June 13 and December 13 of each year, commencing on June 13, 2017;
- 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.

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 London Paying Agent on the Business Day prior to each scheduled payment date. The London 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 London Paying Agent will make such payments 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 London 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, the London Paying Agent or the initial purchasers 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 London 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 that Ecuador pays to the London 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. Ecuador will hold the money in trust for the relevant holders until six 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 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 London 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, 2002 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- a Note has been 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 that 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. 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 in connection with the enforcement of Ecuador's obligations under the Notes 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 not less than 30 days nor more than 60 days' notice to the holders of the Notes, to redeem the Notes, in whole or in part, at any time or from time to time prior to their maturity, at a redemption price 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 (exclusive of interest accrued 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").

On and after the redemption date, unless there is a default in the payment of amounts due, interest will cease to accrue on the Notes or any portion of the Notes called for redemption. If less than all of the Notes are to be redeemed, the Notes to be redeemed shall be selected on a *pro rata* basis, selected by lot or by such method as the Trustee shall deem fair and appropriate (subject to the procedures of Euroclear and Clearstream).

"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 from the redemption date to the maturity date of the Notes to be redeemed 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 from the redemption date to the maturity 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 below), 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. 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 to be able to make all payments to be made by it under the Notes and the Indenture;

2. ensure that at all times its obligations under the Notes are general, direct, unsecured, unsubordinated and unconditional obligations of Ecuador and shall be backed by the full faith and credit of Ecuador and ensure that the Notes shall rank equally in terms of priority with Ecuador's External Indebtedness (other than 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;

3. use its reasonable best efforts to list and thereafter to maintain the listing of the Notes on the Luxembourg Stock Exchange; and

4. 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.

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 the equivalent in other currencies) to collateralize, or to purchase collateral, guarantees or other credit support in respect of, new borrowings by Ecuador, provided that, to the extent that in any calendar year U.S.$50,000,000 (or the equivalent in other currencies) exceeds such aggregate fair market value of the assets, revenues or receivables so encumbered during that year, the aggregate fair market value of assets, revenues and receivables which may be encumbered in subsequent calendar years shall be increased by the amount of such excess; provided, however, that the fair market value of the assets, revenues or receivables so encumbered in any calendar year shall in no event exceed U.S.$150,000,000 (or the equivalent in other 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:

1. *Non-Payment*: Ecuador fails, after the applicable payment date, to (i) make any payment of principal or Make-Whole Amount on the Notes (unless such non-payment is due to an administrative or technical error and is remedied within five Business Days of the date when such payment is due) or (ii) make any payment of an interest amount or Additional Amount on the Notes within 30 days of the date when such payment is due;

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 aggregate principal amount 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 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);

   - The holders of at least 25% of the aggregate outstanding principal amount of any External Indebtedness (other than 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 Ecuador's failure to pay the principal or interest on 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 moratorium with respect to the payment of principal of, or interest on, Ecuador's External Indebtedness (other than Excluded Indebtedness);

5. *Validity*: Ecuador denies, repudiates or contests any of its payment 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 resources of 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 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 such judgment; or

9. *Arbitral award*: There shall be made against the Republic or the Central Bank in a matter related to External Indebtedness (other than 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.

If any of the above 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, will declare the principal amount of all the Notes to be immediately due and payable by notifying Ecuador 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 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 Ecuador, 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 a majority of the principal amount of the outstanding Notes or remedied; and
- the Trustee will have been reimbursed or otherwise compensated by Ecuador for all documented costs, expenses and liabilities reasonably incurred by the Trustee as a result of any such event of default.

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:

In the case of any Modification of the terms and conditions of the Notes 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.

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 (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.

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 Issuer, 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 debt securities of one or more series 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 holders of 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 the Trustee knows to be so owned shall be so disregarded. Upon request of the Trustee, and together with any request for any Modification of the Indenture by Ecuador, 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, 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;

- securing the Notes pursuant to the requirements of the Notes or otherwise;

- 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 "Settlement and Clearance" for a description of the procedures applicable to book-entry securities.

The Trustee shall not be required to sign any amendment that adversely affects its rights, duties, liabilities or immunities.

Definitive Notes

Ecuador will issue Notes in definitive form (i.e. not in book-entry but physical form) only if:

- the depositary 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;
- Ecuador decides that it no longer wishes to have all or part of the Notes represented by global notes;
- 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;
- an event of default has occurred and is continuing and (A) any holder requests the Trustee to exchange its interest in the Note in the form of a Global Note for a Definitive Note, or (B) 25% of all outstanding holders direct the Trustee to exchange all of Notes represented by global notes for Notes in definitive form; 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, London Paying Agent, Luxembourg Listing Agent, Transfer Agents; Registrar

The Bank of New York Mellon, London Branch will serve as the London paying agent and the Trustee will serve as the transfer agent and registrar for the benefit of the holders of Notes. The Republic, acting for the exclusive benefit of the holders of the Notes, may also appoint, one or more 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. 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 in an office or agency where notices and demands in respect of the Notes or the Indenture may be served. 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, and 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, at the expense of Ecuador, in the Wall Street Journal of New York, New York, the Financial Times of London, England, and, 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), the Luxemburger Wort of Luxembourg. 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 to make any publication of any notice in the manner provided above, any other publication or other notice which is acceptable to the Trustee shall constitute a sufficient publication of such notice. Notices will also be published on the website of the Luxembourg Stock Exchange. 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 or sent in accordance with the clearing system's then applicable procedures. Notices to holders of Global Notes shall be given in accordance with the Depositary 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.

Further Issues of Securities

Ecuador may, from time to time, without the consent of the holders of the Notes, create and issue additional Notes with the same terms and conditions as the Notes in all respects (or in all respects except for the amount of the first interest payment and the issue price) so long as the additional Notes are consolidated and form a single series with the outstanding Notes, provided that such additional Notes do not have, for purposes of US federal income taxation, a greater amount of original issue discount than the outstanding Notes have as of the date of the issue of such additional Notes (regardless of whether any holders of such Notes are subject to US federal income taxation).

Submission to Arbitration

(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 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. 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 shall be English. The arbitration provisions of the Indenture shall be governed by English law.

(e) Without prejudice to any other mode of service allowed by law, the Republic hereby 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 (10) 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.

Any Dispute 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 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.

Sovereign Immunity

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 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 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 Ecuador under the Indenture and the Notes. If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum due hereunder in U.S. dollars into another currency, Ecuador 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 Ecuador in respect of any sum due to any noteholder 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 noteholder 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, Ecuador 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.

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 are required or authorized by law to be closed.

- "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 percent 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.

- "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%.

- "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 waiver of immunity, the scope of the Republic's indemnities in the Indenture 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;

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 Ecuador or any other person; or

J. change the definition of “Uniformly Applicable” or “Reserved Matter.”

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.

SUBSCRIPTION AND SALE

Citigroup Global Markets Limited is acting as the Lead Manager (the “Lead Manager”) of this offering. Subject to the terms and conditions in the purchase agreement dated the date of this Offering Circular (the “Purchase Agreement”), the Lead Manager will agree to purchase and the Republic will agree to sell to the Lead Manager, the total principal amount of the Notes.

The Purchase Agreement provides that the obligations of the Lead Manager to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Lead Manager must purchase all the Notes if it purchases any of the Notes.

The Republic has been advised that the Lead Manager proposes to resell the Notes at the offering price set forth on the cover page of this Offering Circular within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule l44A and outside the United States in reliance on Regulation S. See “Transfer Restrictions.” The price at which the Notes are offered may be changed at any time without notice.

The Notes have not been and will not be registered under the Securities Act or any state securities law and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See “Transfer Restrictions.”

Accordingly, the Lead Manager has agreed that, except as permitted by the Purchase Agreement and set forth in “Transfer Restrictions,” it will not offer or sell the Notes within the United States or to, or for the account or benefit of, U.S. persons as part of the distribution of the Notes.

In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule l44A.

Although application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to have the Notes trade on the Euro MTF Market, the listing does not assure that a trading market for the Notes will develop. The Lead Manager intends to make a secondary market for the Notes. However, it is not obligated to do so and may discontinue making a secondary market for the Notes at any time without notice. No assurance can be given as to how liquid the trading market for the Notes will be. The Republic cannot provide any assurances that the prices at which the Notes will trade in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering.

The Republic estimates that its portion of the total expenses of this offering, including underwriter's fees, will be U.S.$3.74 million.

In connection with the offering, the Lead Manager may purchase and sell Notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases.

- Short sales involve secondary market sales by the Lead Manager of a greater number of Notes than it is required to purchase in the offering.
- Covering transactions involve purchases of Notes in the open market after the distribution has been completed in order to cover short positions.
- Stabilizing transactions involve bids to purchase Notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the Lead Manager for its own account, may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The Lead Manager may conduct these transactions in the over-the-counter market or otherwise. If the Lead Manager commences any of these transactions, it may discontinue them at any time.

The Lead Manager is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Lead Manager and its respective affiliates have in the past performed commercial banking, investment banking and advisory services for the Republic from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for the Republic in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of its various business activities, the Lead Manager and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own accounts and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve the Republic's securities and instruments.

The Republic has agreed to indemnify the Lead Manager against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Lead Manager may be required to make because of any of those liabilities.

Selling Restrictions

United States of America

No registration under Securities Act

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Notes are being offered, sold or delivered only: (a) outside the United States in offshore transactions in reliance on Regulation S and (b) in the United States only to QIBs in connection with resales by the Lead Manager, in reliance on, and in compliance with, Rule 144A. In addition, until 40 days after the commencement of the offering, an offer or sale of any of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A.

Canada

The distribution of the Notes in Canada is being made only on a private placement basis exempt from the requirement that the Republic prepare and file a prospectus with the applicable securities regulatory authorities. The Republic is not a reporting issuer in any province or territory in Canada and its Notes are not listed on any stock exchange in Canada and there is currently no public market for the Notes in Canada. The Republic currently has no intention of becoming a reporting issuer in Canada, filing a prospectus with any securities regulatory authority in Canada to qualify the resale of the Notes to the public, or listing its securities on any stock exchange in Canada. Accordingly, to be made in accordance with securities laws, any resale of the Notes in Canada must be made under available statutory exemptions from registration and prospectus requirements or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Canadian purchasers are advised to seek legal advice prior to any resale of the Notes.

Each Canadian purchaser who purchases Notes on a private placement basis pursuant to this Canadian offering circular will be deemed to have represented to and agreed with the Republic and the Lead Manager that such purchaser: (i) is entitled under applicable securities laws to purchase such Notes without the benefit of a prospectus qualified under such securities laws; (ii) is resident in Canada; (iii) is not a U.S. person as defined in Rule 902 of Regulation S under the U.S. Securities Act of 1933; (iv) is purchasing the Notes with the benefit of the prospectus exemption provided by Section 2.3 of National Instrument 45-106 – Prospectus and Registration Exemptions ("NI 45-106") (that is, such purchaser is an "accredited investor" within the meaning of NI 45-106 and is either purchasing Notes as principal for its own account, or is deemed to be purchasing the Notes as principal for its own account in accordance with applicable securities laws); (v) if not an individual, the purchaser was not created or used solely to purchase or hold Notes as an accredited investor under NI 45-106; (vi) is a permitted client within the meaning of National Instrument 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations; and (vii) if required by applicable securities laws or stock exchange rules, the purchaser will execute, deliver and file or assist the Republic in obtaining and filing such reports, undertakings and other documents relating to the purchase of the Notes by the purchaser as may be required by any securities commission, stock exchange or other regulatory authority.

United Kingdom

The Lead Manager has represented, warranted and agreed that:

(a) ***Financial promotion***: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (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 Republic; and

(b) ***General compliance***: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa ("CONSOB") pursuant to Italian securities legislation. The Lead Manager represents and agrees that any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in the Republic of Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

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

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (the "Banking Law") (in each case as amended from time to time);

(b) in compliance with Article 129 of the Banking Law and the implementing guidelines of the Bank of Italy, as amended; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Switzerland

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland, as such term is used under the Swiss Code of Obligations, and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Notes constitutes an Offering Circular as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing Offering Circular within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in

Switzerland and neither this Offering Circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland, as such term is used under the Swiss Code of Obligations.

Singapore

This Offering Circular has not been registered as an Offering Circular with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore (the "SFA") and accordingly, the Notes may not be offered or sold, nor may the Notes be the subject of an invitation for subscription or purchase, nor may this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Notes be circulated or distributed, 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 (iii) any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased in reliance on an exemption under Sections 274 or 275 of the SFA, the Notes may not be sold within the period of six months from the date of the initial acquisition of them, except to any of the following persons:

(a) an institutional investor (as defined in Section 4A of the SFA);

(b) a relevant person (as defined in Section 275(2(of the SFA); or

(c) any person pursuant to an offer referred to in Section 275(1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore (the "SFR").

Where the Notes are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

(a) 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

(b) 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; or

(c) the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

    (1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than $200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;

    (2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

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

(5) as specified in Regulation 32 of the SFR.

Hong Kong

The Lead Manager has represented and agreed that:

(1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("SFO") and any rules made under the Ordinance; or (b) in other circumstances which do not result in the document being an "Offering Circular" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(2) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or ready by, the public of Hong Kong (except if permitted to do so under the securities 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" as defined in the SFO and any rules made under that Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, the Lead Manager has undertaken that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "Japanese Person“ shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

United Arab Emirates (excluding the Dubai International Financial Centre)

The Lead Manager has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

The Lead Manager has acknowledged that the information contained in this Offering Circular does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law 8 of 1984 (as amended)) or otherwise and is not intended to be a public offer and the information contained in this Offering Circular is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates.

Dubai International Financial Centre

The Lead Manager has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "DFSA"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Qatar

The Lead Manager has represented and agreed that it has not offered, sold or delivered and will not offer, sell, or deliver, directly or indirectly, any Notes in Qatar, except: (a) in compliance with all applicable laws and regulations of Qatar; and (b) through persons or corporate entities authorized and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar.

This Offering Circular has not been reviewed or approved by or registered with the Qatar Exchange, the Qatar Central Bank or the Qatar Financial Markets Authority. This Offering Circular is strictly private and confidential and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient thereof.

Chile

Neither the Republic nor the Notes are registered in the Securities Registry (*Registro de Valores*) or the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the Chilean Securities and Insurance Commission (*Superintendencia de Valores y Seguros de Chile*), or SVS, or is subject to the control and supervision of the SVS. As unregistered securities, the Republic is not required to disclose public information about the Notes in Chile. The Notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry. The Notes may only be offered in Chile in circumstances that do not constitute a public offering under Chilean law or in compliance with General Rule No. 336 of the SVS. Pursuant to General Rule No. 336. The Notes may be privately offered in Chile to certain "qualified investors" identified as such therein (which in turn are further described in General Rule No. 216, dated June 12, 2008, of the SVS).

This Offering Circular and other offering materials relating to the offer of the Notes do not constitute a public offer of, or an invitation to subscribe for or purchase, the Notes in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (*Ley de Mercado de Valores*) (an offer that is not addressed to the public at large or to a certain sector or specific group of the public).

General

No action has been taken by the Republic or by the Lead Manager that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required.

Accordingly, the Lead Manager has undertaken that it will not, directly or indirectly offer or sell any Notes or distribute or publish any offering circular, this Offering Circular, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

Global Notes

The Notes will initially be issued in the form of two registered notes in global form (which Ecuador 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 Ecuador 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 Ecuador refers to in this Offering Circular as the "Regulation S Global Notes").

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 Ecuador refers to in this Offering Circular as the "Euroclear participants") or persons who have accounts with Clearstream (which Ecuador 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 participants designated by the Lead Manager; 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 physical certificated 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 Issuer 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 Trustee, any agent or the Lead Manager 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, including the Lead Manager; 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 physical, certificated 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.

Certificated Notes

Notes in physical, certificated 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 the registered holder of the Global Note requesting exchange of a specified amount for individual note certificates following a failure to pay at maturity or upon acceleration of any Note.

TRANSFER RESTRICTIONS

The Notes are subject to the following restrictions on transfer. By purchasing Notes, each prospective investor will be deemed to have made the following acknowledgments, representations to and agreements with the Republic and the Lead Manager:

(1) Each prospective investor acknowledges that:

- the Notes have not been registered under the Securities Act or any other securities laws and 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 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) Each prospective investor represents that it is not an affiliate (as defined in Rule 144 under the Securities Act) of the Republic, that it is not acting on the Republic's behalf and that either:

- it is a qualified institutional buyer (as defined in Rule 144A) and is purchasing Notes for its own account or for the account of another qualified institutional buyer, and it is aware that the Lead Manager is selling the Notes to it in reliance on Rule 144A; or

- it is 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, other than a distributor, and it is purchasing Notes in an offshore transaction in accordance with Regulation S.

(3) Each prospective investor acknowledges that neither the Republic nor the Lead Manager nor any person representing the Republic or the Lead Manager has made any representation to such prospective investor with respect to the Republic or the offering of the Notes, other than the information contained in this Offering Circular. Each prospective investor represents that it is relying only on this Offering Circular in making its investment decision with respect to the Notes. Each prospective investor agrees that it has had access to such information concerning the Republic and the Notes as it has deemed necessary in connection with its decision to purchase Notes, including an opportunity to ask questions of and request information from the Republic.

(4) Each prospective investor represents that it is purchasing Notes for its own account, or for one or more investor accounts for which it is 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 any requirement of law that the disposition of its property or the property of that investor account or accounts be at all times within its or their control and subject to its or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from the registration requirements of the Securities Act. Each prospective investor agrees on its own behalf and on behalf of any investor account for which it is purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that until the end of the applicable resale restriction period pursuant to Regulation S or Rule 144, the Notes may be offered, sold or otherwise transferred only:

(a) to the Republic;

(b) under a registration statement that has been declared effective under the Securities Act;

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

(d) pursuant to Regulation S; or

(e) 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 or such account's control.

Each prospective investor also acknowledges that:

- the Republic and the Trustee reserve the right to require, in connection with any offer, sale or other transfer of Notes before the applicable resale restriction period ends pursuant to Regulation S or Rule 144 under clauses (d) and (e) above, the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Republic and the Trustee;

- Notes (other than those issued outside the United States pursuant to Regulation S) will, until the expiration of one year from the original issuance date of the Notes (or such other date as specified in Rule 144 or as specified in another applicable exemption under the Securities Act), unless otherwise agreed by us and the holder thereof, bear a legend substantially to the following effect:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) TO THE ISSUER OF THIS NOTE, (II) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (III) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 AND RULE 904 UNDER THE SECURITIES ACT, (IV) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (V) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (II) THROUGH (V) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

BY ACCEPTANCE OF THIS NOTE BEARING THE ABOVE LEGEND, WHETHER UPON ORIGINAL ISSUANCE OR SUBSEQUENT TRANSFER, EACH HOLDER OF THIS NOTE ACKNOWLEDGES THE RESTRICTIONS ON THE TRANSFER OF THESE NOTES SET FORTH ABOVE AND AGREES THAT IT SHALL TRANSFER THIS NOTE ONLY AS PROVIDED HEREIN AND IN THE INDENTURE.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ON SATISFACTION OF THE CONDITIONS SPECIFIED IN THE INDENTURE.

- Notes issued outside the United States pursuant to Regulation S will, unless otherwise agreed by us and the holder thereof, bear a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY IN ANY JURISDICTION AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN

THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE INDENTURE AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT.

Each prospective investor acknowledges that the Republic, the Trustee, any agent, the Lead Manager and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. Each prospective investor agrees that if any of the acknowledgments, representations or agreements such prospective investor is deemed to have made by its purchase of Notes is no longer accurate, it will promptly notify the Republic and the Lead Manager. If any prospective investor is purchasing any Notes as a fiduciary or agent for one or more investor accounts, such prospective investor represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the above acknowledgments, representations and agreements on behalf of each account.

TAXATION

Ecuador Taxation

The following is a general discussion of Ecuadorian tax considerations. The discussion is based upon the tax laws of Ecuador 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, Ecuador.

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 and investors holding Notes as a position in a "straddle," "conversion transaction," or "constructive sale" transaction). 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 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 not 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, foreign or other tax laws.

U.S. Holders

Payments of Interest and Additional Amounts

Ecuador 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 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.

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. 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.

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

Owners of "specified foreign financial assets" with an aggregate value in excess of 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 or fixed place of business 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 (or, if an income tax treaty applies, the gain is attributable to a permanent establishment or fixed base in 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). Any amount attributable to accrued but unpaid interest on the Notes generally will be treated in the same manner as payments of interest, as described above under “—Payments of Interest and Additional Amounts.”

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 "United States person;"
- a controlled foreign corporation for U.S. federal income tax purposes;
- 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 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 Lead Manager by Pérez Bustamante & Ponce, Ecuadorian counsel to the Lead Manager, and by Clifford Chance US LLP, U.S. counsel to the Lead Manager. 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 Finance of the Republic, and Clifford Chance US LLP will rely upon the opinion of Pérez Bustamante & Ponce.

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 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 Lead Manager has confirmed that the provision of the legal opinion from the *Coordinador General Jurídico* of the Ministry of Finance and the Pronouncement are fully compliant from an Ecuadorian law perspective.

GENERAL INFORMATION

1. The Regulation S Global Note and the Restricted Global Note have been accepted for clearance and settlement through Euroclear and Clearstream, Luxembourg. The common codes for the Regulation S Global Note and the Restricted Global Note are 153507198 and 153507210, respectively, and the International Securities Identification Numbers for the Regulation S Global Note and the Restricted Global Note are XS1535071986 and XS1535072109, respectively.

2. The Republic has obtained all necessary consents, approvals and authorizations in the Republic of Ecuador 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. 029 dated December 8, 2016.

3. The Republic is involved in certain litigation and administrative arbitration proceedings. See "Legal Proceedings."

4. On April 28, 2016, Moody's Investors Service affirmed the Republic's long-term Government bond ratings at "B3" with a "stable outlook." On August 4, 2016, Standard & Poor's Ratings Services affirmed the Republic's foreign long-term issuer rating at "B" with a "stable outlook." On August 25, 2016, the Republic's long-term foreign currency issuer default rating by Fitch Ratings was affirmed at "B," but the rating outlook was revised from "stable" to "negative."

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.

5. 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 and transfer agent in Luxembourg.

6. 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 in Luxembourg 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) copies of the 2008 Constitution, and the Legislative Decrees of the Republic referred to in paragraph 2 above (in Spanish); and

(d) copies of the Republic's consolidated public sector fiscal accounts for the last calendar year (as and when available in English).

7. Other than as disclosed herein, (including information that has been updated as of September 30, 2016), 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 since September 30, 2016.

8. 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 Glossary of Defined Terms

2008 Constitution 1, 39
2012 and 2030 Bonds 124
2015 Bonds 9
2017 Election 1, 27
2020 Bonds 10, 125
2022 Bonds 10, 125
2024 Bonds 9, 125
AGD 76, 95
ALADI 42
ALBA 42
ATP-DEA 42
Autonomous Decentralized Governments 46
Banco de Desarrollo del Ecuador B.P. 92
Banking Law 146
BDH 69
BIESS 70
bpd 3
Brady Bonds 124
Brady Plan 124
BSA 101
Burlington 31
CAF 42
CAIC 33
Canacol 57
CELAC 41, 42
Center for Arbitration and Mediation of Quito Chamber of Commerce 77
Central Bank v
Central Government 112
CEREPS 46
CETES 9, 48
CFN 96
CIF v
Civil Procedure Code 51
Clearstream 1
Clearstream participants 150
CNPC 58
Committee of Monetary and Financial Policy Regulation 6
Committee on Foreign Trade 85
Community of Andean Nations 42
Comprehensive Law of Redistribution of Income for Social Expenditures 50
CONSEP 42
CONSOB 146
Consolidation Decree 55
Constitutional Court 40
Coordinador General Jurídico *of the Ministry of Finance of the Republic* 160
COSEDE 95
Counsel of Citizen Participation and Social Control 40
CPI 106
Creando Oportunidades 39
Cuenta Única del Tesoro 46
Currency Outflow Tax 49
Debt and Finance Committee 46
Decree 578 55
Decree 73 60
Development Bank 92
DFSA 148
Discount Notes 124
Dollarization Program x
DTC iv
Ecuador 1
Ecuadorian Economic Transformation Law x
EDC 61
EEA 1
Electoral Branch 41
Electoral Dispute Settlement Court 41
Employment Partner Network 68
Environment Ministry 55
Environmental Improvement and State Resources Optimization Law 49
ETAP 95
Eurobonds 124
Euroclear 1
Euroclear participants 150
FARC 36
FEIREP 109
Financial Safety Net Law 47
First Instance Courts 40
FLAR 110
FOB v
Foreign Commerce and Investment Council 85
FSMA 146
GDP 2
Global Notes iv, 150
Government v
GSI 83
Home Maker Recognition Law 51
Hutchison 77
Hydrocarbons Control and Regulation Agency 55
Hydrocarbons Law 48
Hydrocarbons Secretariat of Ecuador 55
ICE 115
ICSID 41
IDB 2
IEPI 74
IESS 70
IMF 2, 41
INEC 36
International Reserves 14
IRS 156
ISD 49
ISSFA 70

ISSPOL..70
ITT 3
Japanese Person..148
Judiciary Council 40
KKR 57
Law for Market Power Control and Regulation 49
Law for the Regulation of Housing and
Automobile Loans 50
Law for the Remission of Interest, Penalties and
Surcharges..51
Law of Solidarity...2
Law on Incentives for Public-Private Joint
Ventures and Foreign Investment......................52
Law Reforming the Financial Institutions Law
and the Restructuring Financial Taxes Law 49
Law Reorganizing Economic Matters in the Tax
and Finance Areas 95
Law to Balance Public Finances 7, 52
Lead Manager 144
Legal Proceedings 161
Ley Orgánica de Regulación y Control del
Poder de Mercado..49
Libertador-Atacapi 57
Liquidity Fund 95
LOREYTF 46
LPG 59
Merck 76
MICSE..53
Mining Law 47
Ministry of Hydrocarbons................................55
Ministry of Labor Relations.............................67
Ministry of Mines..55
Monetary and Financial Law 6, 50
Murphy...75
National Assembly 39
National Council on Wages 49
National Court of Justice 40
National Decentralized System of Participative
Planning..48
National Electoral Council...............................41
National Secretary of Planning and
Development...108
Notes 1
NYMEX 60
OAS..41
Old Notes..124
OPEC..41
Original 2020 Issuance 10, 125
Original 2022 Issuance 10, 125
Par Notes 124
Pardaliservices S.A..57
PDI Notes 124
PDVSA Ecuador 11, 60
Pedernales Earthquake.................................1, 30
Perenco...75
Petroamazonas...55
PetroChina..58
Private Sector Banks 93
Production Code 49
Program for Finance 102
Prospectus Directive 1
Provincial Courts of Justice.............................40
Public Corporations Law..................................47
Public Defender 40
Public Media and Communications Company of
Ecuador..4
Public Planning and Finance Code 48
Purchase Agreement 144
Quito Stock Exchange....................................103
RDP 11, 60
Reform Act to the Internal Tax Regime Law
and the Reform Act for Tax Equity in
Ecuador 47
Regulation S iv
Regulation S Global Note.................................iv
Regulation S Global Notes 150
Republic ....1, v
Restricted Global Note.....................................iv
Restricted Global Notes 150
Rio Napo 57
Rule 144A iv
Schlumberger...57
Securities Act 1, 154
SENPLADES 108
SEPS 102
Sertecpet..57
SFA...147
SFO...148
Shushufindi..57
Shushufindi S.A...57
Sinopec..58
SOTE 59
Strategic Ecuador...55
SUCRE..86
Superintendent of Banks 40
Tax Culture Day 115
Tecpetrol 57
Telecommunications Law 51
Transparency and Social Control Branch 40
U.S. Controlled Person..................................159
U.S. dollars...v
U.S. Holder...156
U.S.$ v
UNASUR 41
Undersecretary of Public Finance......................46
Unipec...58
United States person 159
United States persons....................................156
VAT 115
WTI...60

WTO..41

Yachay 66

ISSUER

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You should rely only on the information contained in this Offering Circular or to which Ecuador has referred you. Ecuador has not authorized anyone to provide you with information that is different. This Offering Circular may only be used where it is legal to sell these securities. The information in this Offering Circular may only be accurate on the date of this Offering Circular.

The Republic of Ecuador

U.S.$750,000,000
9.650% Notes due 2026

Lead Manager and Global Coordinator
Citigroup

Preliminary Offering Circular

December 13, 2016

OFFERING CIRCULAR SUPPLEMENT

The Republic of Ecuador

U.S.$1,000,000,000 9.650% Notes due 2026

On December 13, 2016, The Republic of Ecuador (the "Republic" or "Ecuador") executed an indenture (the "Indenture") pursuant to which it can issue 9.650% Notes due 2026 (the "Notes") from time to time. On December 13, 2016, the Republic issued Notes in the aggregate principal amount of U.S.$750,000,000 (the "Original Notes"). The Republic is reopening the issuance of the Notes and is offering an additional U.S.$1,000,000,000 aggregate principal amount of the Notes (the "Additional Notes"). The Additional Notes will be additional notes issued under the Indenture. The Additional Notes will have identical terms and conditions as the Original Notes, other than issue date and issue price, and will be consolidated and form a single series with the Original Notes. The Additional Notes will vote together as a single class with the Original Notes. Upon consummation of this offering, the aggregate principal amount of the Notes will be U.S.$1,750,000,000.

This Offering Circular Supplement (the "Supplement") is supplemental to and should be read in conjunction with the Offering Circular dated December 13, 2016 (the "Offering Circular") which is attached as Appendix A to this Supplement. Terms defined in the Offering Circular shall have the same meaning in this Supplement. With effect from the date of this Supplement, the information appearing in the Offering Circular shall be amended and/or supplemented in the manner described in this Supplement.

There is currently no public market for the Additional Notes. Application has been made to list the Additional Notes on the Official List of the Luxembourg Stock Exchange and to have the Additional Notes admitted to trading on the Euro MTF Market. This Supplement, together with the Offering Circular, constitutes a prospectus for the purpose of the Luxembourg Law dated July 10, 2005 on prospectuses for securities, as amended. The Additional 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 24 of the Offering Circular regarding certain risk factors you should consider before investing in the Additional Notes.

Price: 103.364%

plus accrued interest from December 13, 2016 to but excluding January 13, 2017

Delivery of the Additional Notes will be made on or about January 13, 2017.

The Additional Notes have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"). The Additional 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. You are hereby notified that sellers of the Additional 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 Additional 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.

ANY OFFER OR SALE OF NOTES IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (THE "EEA") THAT HAS IMPLEMENTED DIRECTIVE 2003/71 EC (THE "PROSPECTUS DIRECTIVE") MUST BE ADDRESSED TO QUALIFIED INVESTORS (AS DEFINED IN THE PROSPECTUS DIRECTIVE).

Lead Manager and Global Coordinator

Citigroup

The date of this Supplement is January 13, 2017.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE REPUBLIC AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND THE RISKS INVOLVED.

You should rely only on the information contained in the Offering Circular and this Supplement or to which the Republic of Ecuador has referred you. Ecuador has not, and the Lead Manager has not, authorized anyone to provide you with information that is different from the information contained in the Offering Circular and this Supplement. This Supplement and the Offering Circular may only be used where it is legal to sell these Additional Notes. The information in this Supplement may only be accurate on the date of this Supplement.

This Supplement may only be used for the purposes for which it has been published.

TABLE OF CONTENTS

Page

RECENT DEVELOPMENTS.......... 1

The Ecuadorian Economy 1

Legal Proceedings.......... 2

International Reserves.......... 3

Monetary System 3

Public Sector Finances 3

Public Debt.......... 3

Updated Economic Indicators.......... 6

THE ADDITIONAL NOTES OFFERING.......... 5

USE OF PROCEEDS 7

SUBSCRIPTION AND SALE.......... 8

VALIDITY OF THE NOTES.......... 14

GENERAL INFORMATION 15

APPENDIX A: Offering Circular dated December 13, 2016

The Additional 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 Excluded Indebtedness), as defined in "*Description of the Notes*" beginning on page 128 of the Offering Circular, provided, that, such ranking is in terms of priority only and does not require that Ecuador make ratable payments on the Additional Notes with payments made on its other External Indebtedness.

The Additional Notes will be issued in registered form only. Additional 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 Additional 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 a common depositary for, 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*" on page 150 of the Offering Circular) 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. Except as described herein, definitive Additional Notes will not be issued in exchange for beneficial interests in the Global Notes.

The Republic has taken reasonable care to ensure that the information contained in this Supplement 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 Additional Notes, would make this Supplement as a whole or any information included in this Supplement, misleading in any material respect. The Republic accepts responsibility accordingly.

This Supplement does not constitute an offer by, or an invitation by or on behalf of, the Republic or the Lead Manager to subscribe to or purchase any of the Additional 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 Supplement or any part of it and the offering, possession, sale and delivery of the Additional Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Supplement comes are required by the Republic and the Lead Manager to inform themselves about and to observe any such restrictions. See "*Subscription and Sale*" on page 23 of this Supplement and "*Transfer Restrictions*" on page 153 of the Offering Circular for a description of further restrictions on the offer, sale and delivery of Additional Notes, the distribution of this Supplement, and other offering material relating to the Additional Notes.

Each purchaser of the Additional Notes sold outside the United States in reliance on Regulation S will be deemed to have represented that it is not purchasing the Additional Notes with a view to distribution thereof in the United States.

Each person purchasing the Additional Notes pursuant to Rule 144A will be deemed to:

- represent that it is purchasing the Additional 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 Additional 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*" on page 153 of the Offering Circular.

Each person purchasing the Additional Notes pursuant to Rule 144A 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 the preliminary and final Supplements supersede any other information or presentation regarding the Republic;

- it has not relied on the Lead Manager or any person affiliated with the Lead Manager in connection with its investigation of the accuracy of the information contained in this Supplement or its investment decision; and

- no person has been authorized to give any information or to make any representation concerning the Republic or the Additional Notes other than those contained in this Supplement and, if given or made, such information or representation should not be relied upon as having been authorized by the Republic or the Lead Manager.

IN CONNECTION WITH THIS ISSUANCE OF ADDITIONAL NOTES, THE LEAD MANAGER MAY, ITSELF OR THROUGH ITS AFFILIATES, OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE ADDITIONAL 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.

RECENT DEVELOPMENTS

The following description of "Recent Developments*" sets forth material developments since the issuance of the Offering Circular (including information that was not available as of December 13, 2016). It does not purport to be a complete description of the Republic and should be read in conjunction with the relevant sections of the Offering Circular.*

Please note that other than as specifically described below in connection with statistical updates to GDP and Balance of Payments, this Recent Developments section does not update statistical information from prior interim periods included in the Offering Circular that may have been updated by the Republic.

The Ecuadorian Economy

On December 17, 2016, President Correa announced several changes to the Republic's economic team. These include the resignation of Fausto Herrera as Minister of Finance, the designation of Patricio Rivera, former Economic Policy Coordination Minister, as the new Minister of Finance, the designation of Diego Martinez, formerly Head of the Central Bank, as the new Economic Policy Coordination Minister, and the designation of Madeleine Abarca, formerly the Vice-Minister of Finance, as the new Head of the Central Bank.

On December 30, 2016, the *Ley Orgánica para Evitar la Especulación sobre el Valor de las Tierras y Fijación de Tributos* (the "Law to Eliminate Speculation and Tax Fixing") was published and became effective. This law is intended to create a more equal distribution of wealth and resources in the country. This law imposes a tax of 75% on capital gains obtained from the sale of real estate in excess of an amount equal to 24 basic unified wages, or U.S.$8,784. The Law to Eliminate Speculation and Tax Fixing also imposes more stringent property recordation obligations on the Autonomous Centralized Governments.

According to the official electoral calendar published by the National Electoral Committee, the electoral campaign for the 2017 Election will run from January 3, 2017 to February 16, 2017 and the 2017 Election will be held on February 19, 2017. The following table sets forth the list of candidates registered for the election:

Candidates for the 2017 Election by Political Party

Political Party	President and Vice President
CREO - SUMA	Guillermo Lasso and Andrés Páez
Acuerdo por el Cambio	Paco Moncayo and Monserrat Bustamante
Partido Fuerza Ecuador	Dalo Bucaram and Ramiro Aguilar
Movimiento Alianza País	Lenín Moreno and Jorge Glas
Partido Social Cristiano	Cynthia Viteri and Mauricio Pozo
Movimiento Unión Ecuatoriana	Washington Pesántez and Álex Alcívar
Movimiento Fuerza Compromiso Social	Iván Espinel and Doris Quiroz
Partido Sociedad Patriótica	Patricio Zuquilanda and Johnnie Jorgge

According to the 2008 Constitution, if none of the President and Vice President pairings is able to secure a vote of at least 50%, or a vote of at least 40% with a lead of at least 10% over the most closely following pair of candidates, a second round of voting will be held between the two pairs of candidates that secure the most votes. According to the official electoral calendar, if necessary, this second round of voting for the 2017 Election will be held on April 2, 2017.

According to the Central Bank's Monthly Bulletin for December 2016, oil field crude production, including that of private and state-owned companies, reached 168,398 million barrels for the first eleven months of 2016, averaging 503 thousand barrels per day. This represents a 7.3% decrease from the 181,698 million barrels produced in the first eleven months of 2015, or an average production of 544 thousand barrels per day. In the first eleven months of 2016, state-owned companies were responsible for 76.8% of production, compared to 77.8% of production in the first eleven months of 2015.

According to the Central Bank's Monthly Bulletin for October 2016, overall exports for the first eleven months of 2016 totaled U.S.$15,210 million, a decrease compared to U.S.$16,993 million for the first eleven months of 2015. This decrease was primarily due to a decrease in crude oil exports from U.S.$6,037 million for the first eleven months of 2015 to U.S.$4,528 million for the first eleven months of 2016, but was partially offset by the increase in shrimp exports from U.S.$2,087 million for the first eleven months of 2015 to U.S.$2,363 million for the first eleven months of 2016. This increase was due to the recovery of the price of shrimp caused by a decrease in shrimp exports from India and Vietnam. In the first eleven months of 2016, fishing exports, other than shrimp, totaled U.S.$227 million, a 5% decrease from U.S.$239 million in the first eleven months of 2015. This decrease is due to the impact of prolonged climate change on the Ecuadorian coast.

On December 29, 2016, the Central Bank published information regarding GDP for the third quarter of 2016 as well as updated figures for the first and second quarters of 2016. Real GDP for the first nine months of 2016 was U.S.$51,579 million, compared to U.S.$52,969 million in the first nine months of 2015, representing a decrease of 2.6% in real terms. This decrease is mainly due to decreased revenues resulting from the decline in the price of oil and a decrease in construction activity. Updated GDP figures for the first and second quarters of 2016 as well as GDP information for the third quarter of 2016 are reflected in Tables 1 and 2 below.

On the same date, the Central Bank published information regarding balance of payments for the third quarter of 2016 as well as updated figures for previous periods. The updated figures for previous periods are reflected in Tables 3 and 4 below. For the third quarter of 2016, there was a balance of payment surplus of U.S.$663 million, an increase compared to the U.S.$1,238.5 million balance of payment deficit for the third quarter of 2015. Additionally, in the third quarter of 2016, the current account registered a surplus of U.S.$271.7 million and the capital and financial account registered a surplus of U.S.$460.9 million.

Legal Proceedings

Reference should be made to the section entitled "*Legal Proceedings*" beginning on page 63 of the attached Offering Circular for background information on the proceedings set forth below in this Recent Developments Section.

Ecuador TLC, Cayman International and Teikoku Oil

With respect to TLC *et al.*'s contract arbitration claim against the Republic, a hearing has been scheduled from January 24, 2017 to January 27, 2017 in Washington D.C.

International Reserves

As of December 31, 2016, Ecuador's International Reserves totaled U.S.$4,258.8 million, an increase from December 31, 2015, when International Reserves totaled U.S.$2,496.0 million. This increase was primarily due to foreign investment in the private sector.

Monetary System

As of November 30, 2016, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.$27,328 million, an increase from the U.S.$24,225 million as of November 30, 2015. Total current loans to the private sector from the private banking sector increased from U.S.$19,073 million as of November 30, 2015 to U.S.$19,659 million as of November 30, 2016.

As of November 30, 2016, the delinquency rate for loans from the private banking sector was 4.5%, a decrease of 0.2% from the 4.7% delinquency rate for loans as of November 30, 2015 primarily due to a decrease in the delinquency rate of priority consumer loans from 9.0% to 8.8% for the same periods.

Total assets of the banking system increased from U.S.$30.8 billion as of November 30, 2015 to U.S.$34.2 billion as of November 30, 2016, an increase of 11%. This increase was principally due to the increase of reserves in the Central Bank and growth in liquidity throughout 2016 due to the recovery of oil prices and foreign investment.

Public Sector Finances

Total revenues of the Central Government for the first ten months of 2016 were U.S.$15,371 million, while total expenditures were U.S$17,960 million. This results in a deficit of U.S.$2,589 million for the first ten months of 2016, an increase in the deficit compared to the deficit of U.S.$1,389 million for the first ten months of 2015. This increase in the deficit is primarily due to decreased petroleum revenue.

In the first ten months of 2016, the non-financial public sector registered a deficit of U.S.$4,000 million compared to a deficit U.S.$1,181 million in the first ten months of 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 the first ten months of 2016, total revenues for the non-financial public sector totaled U.S.$24,237 million, a decrease from U.S.$29,009 million in the first ten months of 2015. In the first ten months of 2016, total expenditures for the non-financial public sector totaled U.S.$28,238 million, a decrease compared to U.S.$30,189 in the first ten months of 2015.

Based upon available information, the Republic expects that the actual deficit for 2016 will have exceeded the budgeted deficit for 2016 by approximately 1%.

The Ministry of Finance's estimated projection for financing needs (both internal debt and external debt) for 2017 is U.S.$11.6 billion.

Public Debt

The total external debt of the public sector as of November 30, 2016 was U.S.$24.75 billion compared to U.S.$20.58 billion as of November 30, 2015. Decree 1218 does not affect external debt because external debt is owed to entities outside of the Ecuadorian government and is, therefore, not affected by the exclusion of intra-governmental debt. This increase is primarily the result of the issuance of the 2022 Bonds and the April 29, 2016 loan entered into with China Development Bank described on page 109 of the Offering Circular. See "*Public Debt – External Debt.*"

Using the aggregation methodology, the total internal debt of Ecuador as of November 30, 2016 was U.S.$12.47 billion, compared to U.S.$12.39 billion as of November 30, 2015. Using the consolidation methodology, the total internal debt of Ecuador, as of November 30, 2016, was U.S.$1.10 billion compared to U.S.$1.05 billion as of November 30, 2015. This increase (under both the aggregation and the consolidation methodologies) in internal debt is primarily due to the increased issuance of domestic long term and short term government notes. The U.S.$11.37 billion under the aggregation methodology figure for November 30, 2016 that is excluded from the equivalent consolidation methodology figure corresponds to obligations owed by the Ecuadorian government to governmental entities such as BIESS and IESS. 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.

According to the Ministry of Finance, following the issuance of the Notes and the application of proceeds, it is estimated that the Republic's total public debt to GDP will be approximately 28.69% under the consolidation methodology and approximately 40.50% under the aggregation methodology.

Pages 24-25 of the Offering Circular set forth a risk factor which discusses February 2016 settlements with holdout creditors in relation to litigation concerning defaulted notes issued by Argentina.—see "*Recent 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 addition to the risks described therein, it should be noted that 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.

Page 28 of the Offering Circular sets forth a risk factor relating to factors that impact the economy of Ecuador—see "*A number of factors have impacted on and may continue to impact on revenues and the performance of the economy of Ecuador.*" In connection with the November 30, 2016 OPEC agreement to reduce aggregate production by approximately 1.2 mb/d, Ecuador has agreed to reduce is daily production quota on an ongoing basis. For the first six months of 2017, Ecuador projects that its daily production quota by barrels per day shall be reduced in accordance with the following schedule:

January 2017	10,000 barrels per day
February 2017	15,000 barrels per day
March 2017	20,000 barrels per day
April 2017	20,000 barrels per day
May 2017	15,000 barrels per day
June 2017	10,000 barrels per day

As of November 30, 2015, the top three bilateral lenders to Ecuador were China, Brazil and Spain, with debt levels of U.S.$ 5,320.6 million (86.2% of the total bilateral debt), U.S.$ 311.3 million (5% of the total bilateral debt) and U.S.$ 140.2 million (2.3% of the total bilateral debt) respectively. As of November 30, 2016, the top three bilateral lenders to Ecuador were also China, Spain and Brazil, with debt levels of U.S.$ 6,905.2 million (89.5% of the total bilateral debt), U.S.$ 134.9 million (1.7% of the total bilateral debt) and U.S.$ 243.4 million (3.2% of the total bilateral debt) respectively.

The Government is current on all of its obligations to bilateral and multilateral lenders. As of November 30, 2016, total indebtedness owed to multilateral institutions was U.S.$8,092 million and total indebtedness owed to bilateral entities was U.S.$7,916 million.

On December 13, 2016, the Republic successfully issued the Original Notes. The Republic is current on its financial obligations under the Original Notes and intends to make all payments as they become due and payable. The Republic is using the proceeds of the Original Notes to finance various Government programs and infrastructure projects contemplated in its National Development Plan. The Republic is also current on all of its obligations under the 2020 Bonds, the 2022 Bonds and the 2024 Bonds.

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.

On December 22, 2016, Ecuador, acting through its Ministry of Finance, entered into a twelve 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 will be 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 thirty-five years to finance a project to increase the enrollment and persistence 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.

Updated Economic Indicators[1]

Table 1:Real and Nominal GDP [(1)]

(in millions of U.S. dollars, except for percentages)

	For the Six Months Ended June 30,	For the Six Months Ended June 30,	For the Nine Months Ended September 30,	For the Nine Months Ended September 30,
	2015	2016	2015	2016
Nominal GDP....................................	50,539	48,177	75,417	72,583
Real GDP [(2)]	35,409	34,295	52,969	51,579
Real GDP growth[(3)]............................	1.8%	-3.1%	0.9%	-2.6%

(1) Figures in this table are updated from those in the Offering Circular in accordance with the Central Bank's Quarterly Bulletin on National Accounts for the Third Quarter of 2016.

(2) 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.

(3) Real GDP Growth measured as compared to Real GDP figure from corresponding period of the previous year.

Table 2: Real GDP by Expenditure[(1)]

(in millions of U.S. dollars)

	For the Six Months Ended June 30,	For the Six Months Ended June 30,	For the Nine Months Ended September 30,	For the Nine Months Ended September 30,
	2015	2016	2015	2016
Consumption				
Public Sector Consumption	5,053	4,917	7,608	7,359
Private Consumption....................	21,909	20,943	32,659	31,568
Total Consumption	26,963	25,861	40,267	38,927
Gross Investment				
Gross Fixed Capital Formation....	9,231	8,182	13,572	12,224
Change in Inventory....................	110	-273	-21	-280
Exports of goods and services[(2)]..........	9,392	9,409	14,251	14,251
Imports of goods and services [(2)].........	10,288	8,885	15,100	13,544
Real GDP	35,409	34,295	52,969	51,579

(1) Figures in this table are updated from those in the Offering Circular in accordance with the Central Bank's Quarterly Bulletin on National Accounts for the Third Quarter of 2016.

(2) 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 the Offering Circular.

[1] The economic indicators in this Supplement only reflect data that has been released since the date of the Offering Circular. The Supplement does not reproduce all of the tables and data presented in the Offering Circular. Please see the relevant sections in the Offering Circular for the more detailed data.

Table 3: Annual Balance of Payments (1)

(in millions of U.S. dollars)

	For the Year Ended December 31,			
	2012	**2013**	**2014**	**2015**
Current Account	**-168.8**	**-926.6**	**-525.5**	**-2,119.6**
Trade balance	**49.9**	**-528.6**	**-63.5**	**-1,649.8**
Exports (FOB)(2)	24,568.9	25,586.8	26,596.5	19,048.7
Petroleum and derivatives	13,792.0	14,107.2	13,275.5	6,660.1
Non-petroleum	9,972.8	10,643.7	12,448.9	11,670.6
Non-registered commerce and other exports	804.1	835.9	872.0	718.1
Imports (FOB)	-24,518.9	-26,115.3	-26,660.0	-20,698.5
Services	**-1,394.3**	**-1,419.6**	**-1,170.7**	**-805.2**
Rendered services (credit)	1,804.0	2,041.4	2,346.3	2,391.3
Transportation	408.7	435.8	437.0	444.3
Travel	1,032.5	1,246.2	1,482.1	1,551.4
Other	362.8	359.4	427.1	395.7
Rendered services (debit)	-3,198.4	-3,460.9	-3,517.0	-3,196.6
Transportation	-1,708.4	-1,708.9	-1,743.9	-1,510.1
Travel	-610.6	-622.5	-634.6	-638.6
Other	-879.4	-1,129.5	-1,138.5	-1,047.8
Investment income	**-1,304.6**	**-1,377.3**	**-1,555.5**	**-1,742.4**
Inflows (credit)	104.9	112.6	120.7	138.7
Outflows (debit)	-1,409.5	-1,490.0	-1,676.2	-1,881.1
Employees' remuneration	-8.4	-9.8	-11.4	-13.5
Direct investment income	-677.4	-683.5	-666.2	-601.0
Portfolio investment income	-64.0	-63.7	-143.2	-230.9
Other	-659.7	-732.9	-855.3	-1,035.8
Net transfers	**2,480.2**	**2,398.8**	**2,264.1**	**2,077.8**
Emigrant remittances	2,466.9	2,449.5	2,461.7	2,377.8
Capital and financial account	**-510.6**	**2,917.8**	**325.7**	**596.0**
Capital account	**121.5**	**66.1**	**66.8**	**-69.1**
Financial account	**-632.0**	**2,851.7**	**258.9**	**665.1**
Direct Investment	567.0	726.6	771.8	1,321.5
Portfolio Investment	66.7	-909.8	1,500.4	1,473.4
Other Investment	-1,265.8	3,035.0	-2,013.3	-2,129.8
Errors and omissions	**97.4**	**-145.3**	**-224.6**	**35.2**
Total balance of payments	**-581.9**	**1,845.9**	**-424.5**	**-1,488.4**
Financing	**581.9**	**-1,845.9**	**424.5**	**1,488.4**
International Reserves (3)	475.1	-1,878.0	411.5	1,453.1
IMF loans	-	-	-	-
Exceptional Financing, net(4)	106.8	32.1	13.0	35.3

Source: Based on figures from the Central Bank 2016 Quarterly Balance of Payments Bulletin for the Third Quarter of 2016.

(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 rather than freely disposable 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.

Table 4: Quarterly Balance of Payments [(1)]

(in millions of U.S. dollars)

	For the Quarter ended					
	March	June	September	March	June	September
	2015			2016		
Current Account	**-898.8**	**-272.5**	**470.0**	**-64.5**	**942.4**	**271.7**
Trade balance	**-775.4**	**-192.5**	**363.1**	**20.3**	**846.5**	**368.3**
Exports (FOB) [(2)]	5,063.5	5,116.6	4,614.2	3,786.4	4,460.3	4,399.6
Imports (FOB)	-5,838.9	-5,309.2	-4,977.3	-3766.0	-3,613.8	-4,031.2
Services	**-246.3**	**-211.6**	**-143.4**	**-196.9**	**-260.0**	**-296.7**
Rendered services (credit)	625.4	561.3	617.5	565.4	492.4	541.3
Transportation	102.2	111.9	117.1	91.5	102.2	108.7
Travel	413.4	358.4	397.5	391.8	315.3	364.2
Other	109.8	91.0	102.8	82.0	74.9	68.4
Rendered services (debit)	-871.8	-772.9	-760.8	-762.3	-752.3	-838
Transportation	-420.7	-380.4	-372.9	-297.8	-283.8	-327.2
Travel	-156.9	-161.0	-159.5	-162.1	-158.1	-181.4
Other	-294.1	-231.4	-228.4	-302.3	-310.4	-329.3
Investment income	**-379.6**	**-416.1**	**450.8**	**-480.9**	**-476.4**	**-448.1**
Inflows (credit)	32.4	35.4	32.6	37.0	34.8	39.6
Outflows (debit)	-412.0	-451.5	-483.5	-51-517.9	-511.2	-487.7
Employees' remuneration	-3.4	-3.5	-3.1	-3.9	-3.9	-3.0
Direct investment income	-408.6	-448.0	-480.3	-514.0	-507.3	-484.6
Net transfers	**502.6**	**547.8**	**487.3**	**592.9**	**832.3**	**648.1**
Emigrant remittances	530.4	595.4	616.3	594.7	669.5	666.4
Other transfers	71.2	63.7	62.8	110.9	288.8	274.0
Outgoing transfers	-99.1	-111.3	-191.8	-112.8	-126.0	-292.3
Capital and financial account	**700.0**	**1,252.0**	**747.8**	**-137.7**	**-40.1**	**460.9**
Capital account	**18.3**	**15.9**	**15.5**	**-535.5**	**-314.3**	**17.7**
Financial account	**681.6**	**1,236.1**	**-763.3**	**397.8**	**274.2**	**443.2**
Direct Investment	183.2	96.6	259.4	169.2	39.7	132.4
Portfolio Investment	611.2	936.7	289.2	-328.1	92..5	1,651.6
Other Investment	-112.8	202.9	1,311.9	556.7	142.1	-1,340.8
Errors and omissions	**-93.9**	**85.2**	**-20.7**	**111.5**	**-47.9**	**-69.6**
Total balance of payments	**-292.7**	**1,064.7**	**-1,238.5**	**-90.7**	**854.5**	**663**
Financing	**292.7**	**-1,064.7**	**-1,238.5**	**90.7**	**-854.5**	**663**
International Reserves [(3)]	281.3	-1,071.5	1,227.6	-77.1	-860.7	-1,039.2
IMF loans	-	-		-	-	365.2
Exceptional Financing, net [(4)]	11.4	6.7	10.9	167.9	6.2	11.0

Source: Based on figures from the Central Bank 2016 Quarterly Balance of Payments Bulletin for the Third Quarter of 2016.

(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) Data reflects changes in International Reserves, where negative numbers indicate an increase in International Reserves and positive numbers indicate a decrease. 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.

Table 5: Exports - (FOB)

(in millions of U.S.$ and as a % of total exports)

	January 1 – November 30,			
	2015		**2016**	
	U.S.$	%	U.S.$	%
Crude oil	6,037	35.5	4,528	29.8
Bananas and plantains	2,567	15.1	2,479	16.3
Petroleum derivatives	289	1.7	370	2.4
Shrimp	2,087	12.3	2,363	15.5
Cacao	601	3.5	544	3.6
Coffee	14	0.1	16	0.1
Tuna and other fish	239	1.4	227	1.5
Flowers	764	4.5	745	4.9
Metal Manufacturing	474	2.8	360	2.4
Other products[2]	3,921	23.1	3,576	23.5
Total[1]	**16,993**	**100.0**	**15,210**	**100.0**

Source: Based on figures from the Central Bank December2016 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] “Other products” consist of non-traditional primary and manufactured products, including canned seafood, vehicles and chemicals.

Table 6: Petroleum Production

(in thousands of barrels per year, except where noted)

	January 1 – November 30,	
	2015	**2016**
Public Companies[1]	141,401	129,296
Other operators	40,297	39,103
Total	**181,698**	**168,398**
Petroleum production per day[2]	544	503

Source: Petroleum data is based on figures from the Central Bank December 2016 Monthly Bulletin (Table 4.1.1).

[1] Public company numbers include the production of Rio Napo, CEM, (“Rio Napo“). Petroamazonas and PDVSA own Rio Napo, with 70% and 30% interests, respectively.

[2] Petroleum information is displayed in thousands of barrels per day.

Table 7: Monetary System

(in millions of U.S.$, except when expressed in percentages)

	As of November 30, 2015	As of November 30, 2016
Loans to Private Sector		
Commercial, Productive and Consumer Loans	15,408	15,813
Microenterprise Loans	1,427	1,455
Education Loans	442	427
Real Estate and Public Housing Loans	1,795	1,964
Total Loan Portfolio	**19,073**	**19,659**
Banking System Loan Portfolio Balances		
Total Current Loans	18,216	18,806
Past-Due Loans	857	853
Delinquency rate	4.7%	4.5%
Total Loan Portfolio	**19,073**	**19,659**
Private Bank Deposits		
Demand Deposits	15,682	17,695
Time Deposits	7,387	8,459
Guarantee Deposits	1	1
Others	1,155	1,173
Total Deposits	**24,225**	**27,328**

Source: Superintendent of Banks as of November 2016.

Table 8: International Reserves

(in millions of U.S.$)

	As of December 31, 2015	As of December 31, 2016
International Reserves[(1)]	**2,496.0**	**4,258.8**

Source: Based on figures from the Central Bank January 6, 2017 Weekly Bulletin (Table 2).

(1) 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 ("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.

Table 9: Consolidated Non-financial Public Sector Revenues and Expenditures

(in millions of U.S.$)

	January 1 - October 31	
	2015	2016
Revenue		
Petroleum Revenue		
Exports	5,484	3,817
Domestic Sales	-	-
Total Petroleum Revenue (a)	**5,484**	**3,817**
Non-petroleum revenue		
Income Tax	4,265	3,173
Value-added Tax	5,378	4,457
Specific consumption taxes	716	651
International trade taxes	1,690	1,397
Other taxes	1,423	2,126
Social Security Contributions	4,286	3,854
Others	4,451	4,267
Total non-petroleum revenue (b)	**22,209**	**19,922**
Operating Income of Public Companies (c)	**1,316**	**498**
Total Revenue (a+b+c)	**29,009**	**24,237**
Expenses		
Current Expenditures		
Interest (d+e)	1,063	1,194
Foreign (d)	884	1,012
Domestic (e)	178	182
Wages and salaries	7,788	7,926
Purchases of goods and services	3,642	3,136
Others	5,771	4,486
Social Security Borrowings	3,342	3,676
Total Current Expenditure	**21,605**	**20,418**
Capital Expenditure and net lending		
Gross capital formation	8,032	7,222
Central Government	4,081	3,829
Public Companies	2,728	2,125
Rest of general Government	1,223	1,268
Other Capital Expenditure	552	598
Total Capital Expenditure	**8,584**	**7,820**
Total Expenditure	**30,189**	**28,238**
Surplus/Deficit	**-1,181**	**-4,000**

Source: Based on figures from the Central Bank November 2016 Monthly Bulletin (Table 2.2).

Table 10: Summary of Consolidated Central Government Sector Revenues and Expenditures

(in millions of U.S.$)

	January 1 – October 31,	
	2015	**2016**
Revenue		
Petroleum revenue	**1,895**	**1,546**
Non-petroleum revenue		
Tax revenue		
Taxes on Goods and Services	6,093	5,107
Value-added tax	5,378	4,457
Specific consumption taxes	716	651
Income tax	4,265	3,173
Taxes on international trade	2,799	2,075
Import duties	1,690	1,397
Exit tax	1,108	679
Vehicle tax	196	167
Other taxes	119	1,280
Total tax revenue	**13,472**	**11,802**
Non-tax revenue	**1,707**	**1,758**
Transfers	**442**	**265**
Total non-petroleum revenue	**15,621**	**13,825**
Total revenues	**17,516,**	**15,371**
Expenditure		
Current expenditure		
Interest accrual		
Foreign	747	869
Domestic	611	624
Total interest accrual	1,358	1,493
Wages and salaries	6,877	7,025
Purchase of goods and services	1,883	1,482
Other current expenditures	583	508
Transfers	731	796
Total current expenditure	**11,432**	**11,304**
Capital expenditure		
Fixed capital expenditure	4,081	3,829
Other	16	286
Capital Transfers	3,376	2,541
Total capital expenditure	**7,473**	**6,656**
Total Expenditure	**18,905**	**17,960**
Adjustment on treasury accounts	-	-
Overall surplus or deficit	-1,389	-2,589

Source: Based on figures from the Central Bank November 2016 Monthly Bulletin (Table 2.2.1)

Table 11: Total Aggregate Public Sector Debt

(in billions of U.S. dollars, except percentages)

	As of November 30, 2015		As of November 30, 2016	
	U.S.$	% GDP[(1)]	U.S.$	% GDP[(2)]
Total Public Sector External Debt.......................................	20.58	20.5	24.75	25.7
Total Public Sector Internal Debt [(3)]....................................	12.39	12.4	12.47	13.0
Total Sector Public Debt	**32.96**	**32.9**	**37.22**	**38.7**

Source: Ministry of Finance November 2016 Bulletin with respect to 2016 information and Ministry of Finance November 2016 Bulletin with respect to 2015 information.

(1) Calculated using latest Nominal GDP figure from Central Bank of Ecuador for 2015.

(2) Based on Ministry of Finance estimate of projected GDP, which differs from look-back data from the Central Bank.

(3) Under Decree 1218, the Republic now uses the consolidated internal debt figures for the calculation of total internal debt and debt to GDP ratio for the purpose of compliance with the 40% debt to GDP ceiling under the Public Planning and Finance Code. Using the consolidation methodology of the IMF GFS, the total internal debt of Ecuador as of November 30, 2016 was U.S.$1.10 billion (1.1% of GDP) compared to U.S.$1.05 billion (1.0% of GDP) as of November 30, 2015.

(4) Public Debt Figures in Tables 11, 12, 3, and 16 are as of November 30, 2016 and do not take into account the Original Notes.

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Table 12: Public Sector External Debt

(by debtor, in billions of U.S. dollars, except percentages)

	As of November 30, 2015	As of November 30, 2016
Central Government..	18.50	22.16
Public financial and non-financial entities	2.08	2.59
Total..	**20.58**	**24.75**
External public debt as a percentage of nominal GDP..........	20.5%[(1)]	25.7%[(2)]

Source: Ministry of Finance November 2016 Bulletin with respect to 2016 information and Ministry of Finance November 2015 Bulletin with respect to 2015 information.

(1) Calculated using latest Nominal GDP figure from Central Bank of Ecuador for 2015.

(2) Based on Ministry of Finance estimate of projected GDP, which differs from look-back data from the Central Bank.

Table 13: Public Sector External Debt by Type of Creditor

(in billions of U.S. dollars)

	As of November 30, 2015	As of November 30, 2016
Multilateral Debt	7.72	8.09
Bilateral Debt	6.46	7.92
Other Debt [(1)]	6.40	8.74
Total External Debt	**20.58**	**24.75**

Source: Ministry of Finance November 2016 Bulletin with respect to 2016 information and Ministry of Finance November 2015 Bulletin with respect to 2015 information.

(1) "Other debt" includes amounts owed under the 2012 and 2030 Bonds, the 2020 Bonds, the 2024 Bonds, the Original Notes and the Brady Bonds.

Table 14: Public Sector External Debt Service Maturity 2017-2027

(in millions of U.S. dollars)

	For the Year Ending December 31,										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Central Government	**3,748.77**	**3,384.14**	**3,068.45**	**4,299.79**	**2,297.78**	**4,064.55**	**1,810.01**	**3,487.79**	**1,182.17**	**861.62**	**1,234.28**
Principal.............	2,412.97	2,125.64	1,900.85	3,304.25	1,471.09	3,416.17	1,336.75	3,155.72	978.42	693.68	1,093.74
Interest................	1,335.80	1,258.50	1,167.60	995.54	826.69	648.37	473.26	332.07	203.76	167.94	140.54
Rest of Public Sector	**661.82**	**685.31**	**614.22**	**427.81**	**261.96**	**187.92**	**163.11**	**144.47**	**126.75**	**113.82**	**91.35**
Principal.............	501.36	550.91	512.50	352.16	208.07	142.08	122.90	109.21	96.03	87.27	68.64
Interest................	160.47	134.40	101.72	75.65	53.89	45.85	40.21	35.26	30.72	26.55	22.71
Total Debt Service	**4,410.59**	**4,069.45**	**3,682.67**	**4,727.60**	**2,559.74**	**4,252.47**	**1,973.12**	**3,632.25**	**1,308.92**	**975.44**	**1,325.62**

Source: Ministry of Finance as of November 2016.

Table 15: Aggregate Public Sector Internal Debt[1]

(in billions of U.S.$)

	As of November 30, 2015	As of November 30, 2016
Central Government Notes..	11.62	11.71
Governmental Entities	0.77	0.76
Total Internal Debt	**12.39**	**12.47**
Internal public debt as a percentage of nominal GDP.............	12.4%[2]	13.0%[3]

Source: Ministry of Finance November 2016 Bulletin with respect to 2016 information and Ministry of Finance November 2015 Bulletin with respect to 2015 information.

[1] Under Decree 1218, the Republic now uses the consolidated internal debt figures for the calculation of total internal debt and debt to GDP ratio for the purpose of compliance with the 40% debt to GDP ceiling under the Public Planning and Finance Code. Using the consolidation methodology of the IMF GFS, the total internal debt of Ecuador as of November 30, 2016 was U.S.$1.10 billion (1.1% of GDP) compared to U.S.$1.05 billion (1.0% of GDP) as of November 30, 2015.

[2] Calculated using latest Nominal GDP figure from Central Bank of Ecuador for 2015.

[3] Based on Ministry of Finance estimate of projected GDP, which differs from look-back data from the Central Bank.

Table 16: Debt to GDP Ratio

(in millions of U.S.$, other than percentages)

	As of November 30,	
	2015	2016
Aggregate Total Debt...........................	32,960.8	37,222.7
Aggregate Debt to GDP Ratio (%).........	32.9	38.7[2]
Consolidated Total Debt.......................	21,623.5[1]	25,856.7
Consolidated Debt to GDP Ratio	21.6[1]	26.9[2]

Source: Ministry of Finance November 2016 Bulletin.

[1] Based on Ministry of Finance November 2015 Bulletin.

[2] Based on Ministry of Finance estimate of projected GDP, which differs from look-back data from the Central Bank.

THE ADDITIONAL NOTES 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 Supplement and in the attached Offering Circular, in particular in the sections entitled the "Offering" *and* "Description of the Notes" *beginning on page 11 and 115, respectively, of the attached Offering Circular. The Additional Notes will have identical terms and conditions as the Original Notes, other than the issue date and issue price as described below.*

Issuer: The Republic of Ecuador.

Additional Notes Issue Amount: U.S.$1,000,000,000. Upon consummation of this Additional Notes offering, the aggregate principal amount of the Notes will be U.S.$1,750,000,000.

Securities Offered: U.S.$1,000,000,000 principal amount of 9.650% notes due 2026. consolidated with and forming a single series, from and including the Issue Date, with the Original Notes issued on December 13, 2016 in the aggregate principal amount of U.S.$750,000,000.

Issue Format: Rule 144A/Regulation S.

Issue Price: 103.364% plus accrued interest from December 13, 2016 to but excluding January 13, 2017, which equals U.S.$8.04 per U.S.$1,000 principal amount of Notes for a total of U.S.$8,041,666.67.

Issue Date: January 13, 2017.

Maturity Date: December 13, 2026.

Interest: 9.650% per annum, computed on the basis of a 360-day year of twelve 30 day months.

Interest Payment Dates: Each June 13 and December 13, commencing on June 13, 2017.

Form: The Additional Notes will be 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. Additional Notes in definitive certificated form will not be issued in exchange for the global notes except under limited circumstances.

Denominations: The Republic will issue the Additional Notes only in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Ranking: The Additional 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 Excluded Indebtedness), provided, that, such ranking is in terms of priority only and does not require that Ecuador make ratable payments on the Additional Notes with payments made on its other External Indebtedness.

Use of Proceeds: The Republic will use the proceeds of U.S.$1,000,000,000 of the Additional Notes in accordance with the limitations of the Public Planning and Finance Code, as further described in "*Use of Proceeds*" on page 17 of this Supplement.

Trustee, Registrar and Transfer Agent: The Bank of New York Mellon.

London Paying Agent: The Bank of New York Mellon, London Branch.

Luxembourg Listing Agent, Transfer Agent and Luxembourg Paying Agent: The Bank of New York Mellon (Luxembourg) S.A.

Governing Law: The Additional 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.

Further Issues: The Republic may, from time to time, without the consent of the holders of the Additional Notes, create and issue additional notes having the same terms and conditions as the Additional Notes in all respects (or in all respects except for the amount of the first interest payment and the issue price) provided that:

(a) the notes are consolidated and form a single series with the outstanding Notes, and

(b) such additional notes do not have, for purposes of U.S. federal income taxation, a greater amount of original issue discount than the outstanding Additional Notes have as of the date of the issue of such additional notes (regardless of whether any holders of such Notes are subject to U.S. federal income taxation).

USE OF PROCEEDS

The use of proceeds for public debt is limited by the Public Planning and Finance Code (defined in the Offering Circular). 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 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 of the Republic.

The Republic will use the proceeds of U.S.$1,000,000,000 of the Additional Notes in accordance with the limitations of the Public Planning and Finance Code. The total expenses of this offering, including the initial purchaser's fee, will be approximately U.S.$4,227,850.00.

SUBSCRIPTION AND SALE

Citigroup Global Markets Limited is acting as the Lead Manager (the “Lead Manager”) of this offering. Subject to the terms and conditions in the purchase agreement dated the date of this Supplement (the “Additional Notes Purchase Agreement“), the Lead Manager will agree to purchase and the Republic will agree to sell to the Lead Manager, the total principal amount of the Additional Notes.

The Additional Notes Purchase Agreement provides that the obligations of the Lead Manager to purchase the Additional Notes are subject to approval of legal matters by counsel and to other conditions. The Lead Manager must purchase all the Additional Notes if it purchases any of the Additional Notes.

The Republic has been advised that the Lead Manager proposes to resell the Additional Notes at the offering price set forth on the cover page of this Supplement within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule l44A and outside the United States in reliance on Regulation S. See “*Transfer Restrictions*” on page 153 of the Offering Circular. The price at which the Additional Notes are offered may be changed at any time without notice.

The Additional Notes have not been and will not be registered under the Securities Act or any state securities law and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See “*Transfer Restrictions*” on page 153 of the Offering Circular.

Accordingly, the Lead Manager has agreed that, except as permitted by the Additional Notes Purchase Agreement and set forth in “*Transfer Restrictions*” described on page 153 of the Offering Circular, it will not offer or sell the Additional Notes within the United States or to, or for the account or benefit of, U.S. persons as part of the distribution of the Additional Notes.

In addition, until 40 days after the commencement of this offering, an offer or sale of Additional Notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule l44A.

Although an application has been made to list the Additional Notes on the Official List of the Luxembourg Stock Exchange and to have the Additional Notes trade on the Euro MTF Market, the listing does not assure that a trading market for the Additional Notes will develop. The Lead Manager intends to make a secondary market for the Additional Notes. However, it is not obligated to do so and may discontinue making a secondary market for the Additional Notes at any time without notice. No assurance can be given as to how liquid the trading market for the Additional Notes will be. The Republic cannot provide any assurances that the prices at which the Additional Notes will trade in the market after this offering will not be lower than the initial offering price or that an active trading market for the Additional Notes will develop and continue after this offering.

The Republic estimates that its portion of the total expenses of this offering, including initial purchaser’s fees, will be U.S.$4,227,850.00.

In connection with the offering, the Lead Manager may purchase and sell Additional Notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases.

- Short sales involve secondary market sales by the Lead Manager of a greater number of Additional Notes than it is required to purchase in the offering.
- Covering transactions involve purchases of Additional Notes in the open market after the distribution has been completed in order to cover short positions.
- Stabilizing transactions involve bids to purchase Additional Notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the Lead Manager for its own account, may have the effect of preventing or retarding a decline in the market price of the Additional Notes. They may also cause the price of the Additional Notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The Lead Manager may conduct these transactions in the over-the-counter market or otherwise. If the Lead Manager commences any of these transactions, it may discontinue them at any time.

The Lead Manager is a full service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Lead Manager and its respective affiliates have in the past performed commercial banking, investment banking and advisory services for the Republic from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for the Republic in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of its various business activities, the Lead Manager and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own accounts and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve the Republic's securities and instruments.

The Republic has agreed to indemnify the Lead Manager against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Lead Manager may be required to make because of any of those liabilities.

Selling Restrictions

United States of America

No registration under Securities Act

The Additional Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Additional Notes are being offered, sold or delivered only: (a) outside the United States in offshore transactions in reliance on Regulation S and (b) in the United States only to qualified institutional buyers in connection with resales by the Lead Manager, in reliance on, and in compliance with, Rule 144A. In addition, until 40 days after the commencement of the offering, an offer or sale of any of the Additional Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A.

Canada

The distribution of the Additional Notes in Canada is being made only on a private placement basis exempt from the requirement that the Republic prepare and file a prospectus with the applicable securities regulatory authorities. The Republic is not a reporting issuer in any province or territory in Canada and its Additional Notes are not listed on any stock exchange in Canada and there is currently no public market for the Additional Notes in Canada. The Republic currently has no intention of becoming a reporting issuer in Canada, filing a prospectus with any securities regulatory authority in Canada to qualify the resale of the Additional Notes to the public, or listing its securities on any stock exchange in Canada. Accordingly, to be made in accordance with securities laws, any resale of the Additional Notes in Canada must be made under available statutory exemptions from registration and prospectus requirements or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Canadian purchasers are advised to seek legal advice prior to any resale of the Additional Notes.

Each Canadian purchaser who purchases Additional Notes on a private placement basis pursuant to this Canadian offering circular will be deemed to have represented to and agreed with the Republic and the Lead Manager that such purchaser: (i) is entitled under applicable securities laws to purchase such Additional Notes without the benefit of a prospectus qualified under such securities laws. (ii) is resident in Canada. (iii) is not a U.S. person as defined in Rule 902 of Regulation S under the U.S. Securities Act of 1933. (iv) is purchasing the Additional Notes with the benefit of the prospectus exemption provided by Section 2.3 of National Instrument 45-106 – Prospectus and Registration Exemptions ("NI 45-106") (that is, such purchaser is an "accredited investor" within the meaning of NI 45-106 and is either purchasing Additional Notes as principal for its own account, or is deemed to be purchasing the Additional Notes as principal for its own account in accordance with applicable securities laws). (v) if not an individual, the purchaser was not created or used solely to purchase or hold Additional Notes as an accredited investor under NI 45-106. (vi) is a permitted client within the meaning of National Instrument 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations. and (vii) if required by applicable securities laws or stock exchange rules, the purchaser will execute, deliver and file or assist the Republic in obtaining and filing such reports, undertakings and other documents relating to the purchase of the Additional Notes by the purchaser as may be required by any securities commission, stock exchange or other regulatory authority.

United Kingdom

The Lead Manager has represented, warranted and agreed that:

(a) ***Financial promotion***: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Additional Notes in circumstances in which section 21(1) of the FSMA does not apply to the Republic. and

(b) ***General compliance***: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Additional Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Additional Notes has not been registered with the Commissione Nazionale per le Società e la Borsa ("CONSOB") pursuant to Italian securities legislation. The Lead Manager represents and agrees that any offer, sale or delivery of the Additional Notes or distribution of copies of this Supplement, the Offering Circular or any other document relating to the Additional Notes in the Republic of Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

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

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (the "Banking Law") (in each case as amended from time to time).

(b) in compliance with Article 129 of the Banking Law and the implementing guidelines of the Bank of Italy, as amended. and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Switzerland

The Additional Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland, as such term is used under the Swiss Code of Obligations, and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Supplement, the Offering Circular nor any other offering or marketing material relating to the Additional Notes constitutes an Offering Circular as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing Offering Circular within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland and neither this Supplement, the Offering Circular nor any other offering or marketing material relating to the Additional Notes may be publicly distributed or otherwise made publicly available in Switzerland, as such term is used under the Swiss Code of Obligations.

Singapore

This Supplement and the Offering Circular have not been registered as an Offering Circular with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore (the "SFA") and accordingly, the Additional Notes may not be offered or sold, nor may the Additional Notes be the subject of an invitation for subscription or purchase, nor may this Supplement, the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Additional Notes be circulated or distributed, 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, (iii) or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Additional Notes are subscribed or purchased in reliance on an exemption under Sections 274 or 275 of the SFA, the Additional Notes may not be sold within the period of six months from the date of the initial acquisition of them, except to any of the following persons:

(a) an institutional investor (as defined in Section 4A of the SFA).

(b) a relevant person (as defined in Section 275(2) (of the SFA). or

(c) any person pursuant to an offer referred to in Section 275(1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore (the "SFR").

Where the Additional Notes are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

(a) 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.

(b) 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. or

(c) the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Additional Notes pursuant to an offer made under Section 275 of the SFA except:

    (1) to an institutional investor (under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest

in that trust are acquired at a consideration of not less than $200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA.

(2) where no consideration is or will be given for the transfer.

(3) where the transfer is by operation of law.

(4) as specified in Section 276(7) of the SFA. or

(5) as specified in Regulation 32 of the SFR.

Hong Kong

The Lead Manager has represented and agreed that:

(1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Additional Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("SFO") and any rules made under the Ordinance. or (b) in other circumstances which do not result in the document being an "Offering Circular" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. and

(2) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Additional Notes, which is directed at, or the contents of which are likely to be accessed or ready by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Additional Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under that Ordinance.

Japan

The Additional Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, the Lead Manager has undertaken that it will not offer or sell any Additional Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

United Arab Emirates (excluding the Dubai International Financial Centre)

The Lead Manager has represented and agreed that the Additional Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

The Lead Manager has acknowledged that the information contained in this Supplement and in the Offering Circular does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law 8 of 1984 (as amended)) or otherwise and is not intended to be a public offer and the information contained in this Supplement and in the Offering Circular is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates.

Dubai International Financial Centre

The Lead Manager has represented and agreed that it has not offered and will not offer the Additional Notes to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "DFSA"). and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Qatar

The Lead Manager has represented and agreed that it has not offered, sold or delivered and will not offer, sell, or deliver, directly or indirectly, any Additional Notes in Qatar, except: (a) in compliance with all applicable laws and regulations of Qatar. and (b) through persons or corporate entities authorized and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar.

This Supplement and the Offering Circular have not been reviewed or approved by or registered with the Qatar Exchange, the Qatar Central Bank or the Qatar Financial Markets Authority. This Supplement and the Offering Circular are strictly private and confidential and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient thereof.

Chile

Neither the Republic nor the Additional Notes are registered in the Securities Registry (*Registro de Valores*) or the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the Chilean Securities and Insurance Commission (*Superintendencia de Valores y Seguros de Chile*), or SVS, or is subject to the control and supervision of the SVS. As unregistered securities, the Republic is not required to disclose public information about the Additional Notes in Chile. The Additional Notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry. The Additional Notes may only be offered in Chile in circumstances that do not constitute a public offering under Chilean law or in compliance with General Rule No. 336 of the SVS. Pursuant to General Rule No. 336. The Additional Notes may be privately offered in Chile to certain "qualified investors" identified as such therein (which in turn are further described in General Rule No. 216, dated June 12, 2008, of the SVS).

This Supplement, the Offering Circular and other offering materials relating to the offer of the Additional Notes do not constitute a public offer of, or an invitation to subscribe for or purchase, the Additional Notes in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (*Ley de Mercado de Valores*) (an offer that is not addressed to the public at large or to a certain sector or specific group of the public).

General

No action has been taken by the Republic or by the Lead Manager that would, or is intended to, permit a public offer of the Additional Notes in any country or jurisdiction where any such action for that purpose is required.

Accordingly, the Lead Manager has undertaken that it will not, directly or indirectly offer or sell any Additional Notes or distribute or publish any offering circular, this Supplement and the Offering Circular, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Additional Notes by it will be made on the same terms.

VALIDITY OF THE NOTES

The validity of the Additional Notes will be passed upon on behalf of the Republic by the *Coordinador General Jurídico* of the Ministry of 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 Additional Notes will be passed upon on behalf of the Lead Manager by Pérez Bustamante & Ponce, Ecuadorian counsel to the Lead Manager, and by Clifford Chance US LLP, U.S. counsel to the Lead Manager. 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 Finance of the Republic, and Clifford Chance US LLP will rely upon the opinion of Pérez Bustamante & Ponce.

In connection with the issuance of the Additional Notes, the Attorney General will issue a "Pronouncement" in relation to the Additional Notes Purchase Agreement and the Additional Notes, which will constitute the required authorizations for the Ministry of Finance to be able to agree to the laws of the State of New York as the governing law of the Additional Notes Purchase Agreement and the Additional Notes, as well as the submission to arbitration provisions set out therein.

GENERAL INFORMATION

1. The Regulation S Global Note and the Restricted Global Note have been accepted for clearance and settlement through Euroclear and Clearstream, Luxembourg. The common codes for the Regulation S Global Note and the Restricted Global Note 153507198 and 153507210, respectively, and the International Securities Identification Numbers for the Regulation S Global Note and the Restricted Global Note are XS1535071986 and XS1535072109, respectively.

2. The Republic has obtained all necessary consents, approvals and authorizations in the Republic of Ecuador in connection with the issue and performance of the Additional Notes. The issue of the Original Notes was authorized by the Republic's Debt and Finance Committee under *Acta Resolutiva* No. 029 dated December 8, 2016. The issue of the Additional Notes was authorized by the Republic's Debt and Finance Committee under *Acta Resolutiva* No. 002 dated January 13, 2017.

3. The Republic is involved in certain litigation and administrative arbitration proceedings. See "*Legal Proceedings*" on page 63 of the Offering Circular and "*Recent Developments – Legal Proceedings*" in this Supplement.

4. On November 23, 2016, Moody's Investors Service affirmed The Republic's long-term Government bond ratings at "B3" with a "stable outlook." On August 4, 2016, Standard & Poor's Ratings Services affirmed the Republic's foreign long-term issuer rating at "B" with a "stable" outlook. On August 25, 2016, The Republic's long-term foreign currency issuer default rating by Fitch Ratings was affirmed at "B," but the rating outlook was revised from "stable" to "negative."

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 Additional Notes. Each rating should be evaluated independently of the others. Detailed explanations of the ratings may be obtained from the rating agencies.

5. Application has been made to list the Additional Notes on the Official List of the Luxembourg Stock Exchange and to have the Additional Notes admitted to trading on the Euro MTF Market. So long as any of the Additional Notes are listed on the Luxembourg Stock Exchange, the Republic will maintain a paying agent and transfer agent in Luxembourg.

6. 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 in Luxembourg so long as any of the Additional Notes are listed on the Luxembourg Stock Exchange:

(a) the Indenture incorporating the forms of Global Notes,

(b) this Supplement,

(c) the Offering Circular,

(d) copies of the 2008 Constitution, and the Legislative Decrees of the Republic referred to in paragraph 2 above (in Spanish), and

(e) copies of the Republic's consolidated public sector fiscal accounts for the last calendar year (as and when available in English).

7. Other than as disclosed herein and in the Offering Circular, 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 Additional Notes.

8. Save as disclosed in "*Legal Proceedings*" on page 72 of the Offering Circular and "*Recent Developments – Legal Proceedings*" in this Supplement, 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 Additional Notes nor, as far as the Republic is aware, is any litigation pending or threatened.

ISSUER

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Quito, Ecuador

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You should rely only on the information contained in the Offering Circular and this Supplement or to which Ecuador has referred you. Ecuador has not authorized anyone to provide you with information that is different. This Supplement may only be used where it is legal to sell these securities. The information in this Supplement may only be accurate on the date of this Supplement.

The Republic of Ecuador

U.S.$1,000,000,000
9.650% Notes due 2026

Lead Manager and Global Coordinator

Citigroup

Offering Circular Supplement

January 13, 2017

OFFERING CIRCULAR SUPPLEMENT

The Republic of Ecuador

U.S.$378,000,000 10.750% Notes due 2022
U.S.$187,000,000 8.750% Notes due 2023
U.S.$41,000,000 9.650% Notes due 2026

The Republic of Ecuador (the “Republic” or “Ecuador”) and The Bank of New York Mellon, as trustee (the “Trustee”) have executed (i) the indenture dated July 28, 2016, with respect to the 2022 Notes (as defined below) (the "2022 Indenture"), (ii) the indenture dated June 2, 2017, with respect to the 2023 Notes (as defined below) (the "2023 Indenture"), and (iii) the indenture dated December 13, 2016, with respect to the 2026 Notes (as defined below) (the "2026 Indenture", and together with the 2022 Indenture and the 2023 Indenture, the "Indentures"). Pursuant to the respective Indentures, the Republic has issued (i) an initial U.S.$1,000,000,000 and an additional U.S.$1,000,000,000 of its 10.750% Notes due 2022 (aggregately, the “2022 Notes”), (ii) U.S.$1,000,000,000 aggregate principal amount of its 8.750% Notes due 2023 (the “2023 Notes”) and (iii) an initial U.S.$750,000,000 and an additional U.S.$1,000,000,000 of its 9.650% Notes due 2026 (aggregately, the “2026 Notes”, and together with the 2022 Notes and the 2023 Notes, the "Original Notes").

The Republic is issuing (i) an additional U.S.$378,000,000 aggregate principal amount of its 10.750% Notes due 2022 (the "Additional 2022 Notes"), (ii) an additional U.S.$187,000,000 aggregate principal amount of its 8.750% Notes due 2023 (the "Additional 2023 Notes"), and (iii) an additional U.S.$41,000,000 aggregate principal amount of its 9.650% Notes due 2026 (the "Additional 2026 Notes", and together with the Additional 2022 Notes and the Additional 2023 Notes, the "Additional Notes"). The Additional Notes will be additional notes issued under each respective Indenture. Each series of Additional Notes will have identical terms and conditions as its respective series of Original Notes, other than issue date and issue price, and each will be consolidated and form a single series with their respective series of Original Notes. Each series of Additional Notes will vote together as a single class with its respective series of Original Notes. Upon consummation of this offering, the aggregate principal amount of (i) 2022 Notes will be U.S.$2,378,000,000, (ii) 2023 Notes will be U.S.$1,187,000,000, and (iii) 2026 Notes will be U.S.$1,791,000,000.

This Offering Circular Supplement (the “Supplement”) is supplemental to and should be read in conjunction with (i) the Offering Circular dated July 28, 2016, and its supplement dated September 30, 2016, with respect to the 2022 Notes (the “2022 Offering Circular”), (ii) the Offering Circular dated May 30, 2017, with respect to the 2023 Notes (the “2023 Offering Circular”), and (iii) the Offering Circular dated December 13, 2016, and its supplement dated January 13, 2017, with respect to the 2026 Notes (the “2026 Offering Circular”, and together with the 2022 Offering Circular and the 2023 Offering Circular, the "Offering Circulars"), attached as Appendix A, Appendix B and Appendix C, respectively, to this Supplement. Terms defined in the Offering Circulars shall have the same meaning in this Supplement. With effect from the date of this Supplement, the information appearing in the Offering Circulars shall be amended and/or supplemented in the manner described in this Supplement.

There is currently no public market for the Additional Notes. Application has been made to list the Additional Notes on the Official List of the Luxembourg Stock Exchange and to have the Additional Notes admitted to trading on the Euro MTF Market. This Supplement, together with the Offering Circulars, constitutes a prospectus for the purpose of the Luxembourg Law dated July 10, 2005 on prospectuses for securities, as amended. The Additional 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*” section on each Offering Circular regarding certain risk factors you should consider before investing in the Additional Notes.

Additional 2022 Notes Price: 112.878% plus accrued interest from July 28, 2016 to but excluding October 16, 2017
Additional 2023 Notes Price: 104.412% plus accrued interest from June 2, 2017 to but excluding October 16, 2017
Additional 2026 Notes Price: 106.664% plus accrued interest from December 13, 2016 to but excluding October 16, 2017

Delivery of the Additional Notes will be made on or about October 16, 2017.

The Additional Notes have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"). The Additional Notes may not be sold within the United States or to U.S. persons except in reliance on the exemption from registration provided under the Securities Act and offered and sold to certain persons in offshore transactions in reliance on Regulation S under the Securities Act. There are no Additional Notes being offered and sold in the United States or to U.S. persons.

The Additional 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.

ANY OFFER OR SALE OF NOTES IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (THE "EEA") THAT HAS IMPLEMENTED DIRECTIVE 2003/71 EC (THE "PROSPECTUS DIRECTIVE") MUST BE ADDRESSED TO QUALIFIED INVESTORS (AS DEFINED IN THE PROSPECTUS DIRECTIVE).

The date of this Supplement is October 11, 2017.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE REPUBLIC AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND THE RISKS INVOLVED.

You should rely only on the information contained in the Offering Circulars and this Supplement or to which the Republic of Ecuador has referred you. Ecuador has not authorized anyone to provide you with information that is different from the information contained in the Offering Circulars and this Supplement. This Supplement and the Offering Circulars may only be used where it is legal to sell these Additional Notes. The information in this Supplement may only be accurate on the date of this Supplement.

This Supplement may only be used for the purposes for which it has been published.

TABLE OF CONTENTS

Page

RECENT DEVELOPMENTS 1

THE ADDITIONAL NOTES OFFERING 25

USE OF PROCEEDS 28

PLAN OF DISTRIBUTION 29

VALIDITY OF THE NOTES 30

GENERAL INFORMATION 31

APPENDIX A: Offering Circular dated July 28, 2016, and its supplement dated September 30, 2016, with respect to the 2022 Notes A-1

APPENDIX B: Offering Circular dated May 30, 2017, with respect to the 2023 Notes B-1

APPENDIX C: Offering Circular dated December 13, 2016, and its supplement dated January 13, 2017, with respect to the 2026 Notes C-1

The Additional 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 Excluded Indebtedness), as defined in "*Description of the Notes*" in each Offering Circular, provided, that, such ranking is in terms of priority only and does not require that Ecuador make ratable payments on the Additional Notes with payments made on its other External Indebtedness.

The Additional Notes will be issued in registered form only. Additional 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 Additional Notes sold in the United States, if any, 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 a common depositary for, 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*" on each Offering Circular) 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. Except as described herein, definitive Additional Notes will not be issued in exchange for beneficial interests in the Global Notes.

The Republic has taken reasonable care to ensure that the information contained in this Supplement 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 Additional Notes, would make this Supplement as a whole or any information included in this Supplement, misleading in any material respect. The Republic accepts responsibility accordingly.

This Supplement does not constitute an offer by, or an invitation by or on behalf of, the Republic to subscribe to or purchase any of the Additional 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 Supplement or any part of it and the offering, possession, sale and delivery of the Additional Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Supplement comes are required by the Republic to inform themselves about and to observe any such restrictions. See "*Plan of Distribution*" on page 29 of this Supplement and "*Transfer Restrictions*" in each Offering Circular for a description of further restrictions on the offer, sale and delivery of Additional Notes, the distribution of this Supplement, and other offering material relating to the Additional Notes.

Each purchaser of the Additional Notes sold outside the United States in reliance on Regulation S will be deemed to have represented that it is not purchasing the Additional Notes with a view to distribution thereof in the United States. With respect to the offer and sale of the Additional Notes by the Republic, no Additional Notes will be offered and sold in the United States or to U.S. persons.

RECENT DEVELOPMENTS

The following description of "Recent Developments" *sets forth material developments since the issuance of the 2023 Offering Circular (including information that was not available as of May 30, 2017). It does not purport to be a complete description of the Republic and should be read in conjunction with the relevant sections of the 2023 Offering Circular.*

Please note that other than as specifically described below in connection with statistical updates to GDP and Balance of Payments, this Recent Developments section does not update statistical information from prior interim periods included in the Offering Circular that may have been updated by the Republic.

The Republic of Ecuador

On February 19, 2017, a presidential election (the "2017 Election") was held with eight candidates to replace former President Rafael Correa after he was elected for two consecutive periods. Lenin Moreno of former President Correa's Alianza PAIS came in first, with 39.36% of the vote, and Guillermo Lasso of the CREO - SUMA party came in second, with 28.09% of the vote. Since no candidate gained either an outright victory of 50% of the vote or at least 40% of the vote with an additional ten points of advantage over the candidate in second place, a run-off election between President Moreno and Mr. Lasso was held on April 2, 2017. President Moreno was elected president with 51.16% of the vote.

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 named Carlos Alberto de la Torre Muñoz as the Minister of Economy and Finance, Pablo José Campana Saénz as the Minister of Foreign Trade and Verónica Artola Jarrín as General Manager of the Central Bank. President Moreno's cabinet includes former ministers under former President Correa's cabinet such as the Minister of Education, the Minister of Health and the Minister of the Interior.

President Moreno assumed the post of President of Ecuador on May 24, 2017 with Jorge Glas as Vice President (the "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 him by the President. On August 3, 2017, President Moreno signed Decree 100 ("Decree 100") to withdraw all functions previously assigned to the Vice President on May 24, 2017 under Decree 9 ("Decree 9") arguing lack of understanding of the political agenda. As part of the revocation of functions assigned to the Vice President under Decree 9, Decree 100 removes the Vice President as member and official in charge of the *Consejo Sectorial de la Producción* (the "Sectorial Council of Production"), withdraws 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 removes the Vice President as member and chair of the *Comité para la Reconstrucción y Reactivación Productiva y del Empleo* (the "*Committee for Reconstruction and Productive Recovery*") in the zones affected by the earthquake that struck the northern coast of Ecuador on April 16, 2016. Additionally, Decree 100 removes the Vice President as member of the *Comité Ejecutivo del Consejo Consultivo Productivo y Tributario* (the "Advisory Council Executive Committee") and also repeals all norms of equal or lower priority to a presidential decree assigning functions to the post of Vice President. Otherwise, Jorge Glas retained the post of Vice President. The Vice President has been subject to investigation for allegedly accepting bribes from Odebrecht S.A. ("Odebrecht"), a Brazilian conglomerate consisting of diversified businesses in the fields of engineering, construction, chemicals and petrochemicals. Odebrecht has admitted as part of its plea agreement with the U.S. Department of Justice that it made and caused to be made more than US$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 *Corte Nacional de Justicia* (the "National Court of Justice") and included the Vice President, among others. The National Court of Justice decreed that the Vice

President is not allowed to leave Ecuador. On October 2, 2017, the National Court of Justice decreed the preventive detention of the 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. It is expected that the investigation will conclude during the week of October 16, 2017 and that formal accusations will be issued in order to start proceedings in the courts of justice.

Through Decree No. 50, President Moreno created the Production & Taxation Advisory Council which is headed by the Ministry of Industry and Productivity and establishes a dialogue between the public and private sectors. The Production & 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, 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 7, 2017, President Moreno announced four austerity measures. As part of the austerity measures, President Moreno offered for sale one of the two presidential airplanes and luxury cars owned by the government. President Moreno ordered a 10% reduction in the salary of public servants with monthly salaries between U.S.$2,368 and U.S.$6,261. Finally, President Moreno announced that real property owned by the public company "Inmobiliar" would be offered for sale and the proceeds invested in the "*Casa para Todos*" project (the "Housing For All Project") to generate employment and grant access to housing to the poorest families in the country. The Housing for All Project includes the construction of 325,000 houses in the next four years 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 Project is expected to generate more than 136,000 jobs.

Pursuant to Article 295 of the 2008 Constitution, during a presidential election year, the national budget is to be presented for National Assembly approval within the first 90 days of the term of the next president. Accordingly, the 2017 draft budget ("2017 Draft Budget") was presented for National Assembly approval on August 7, 2017, within the first 90 days of the term of President Moreno, which began on May 24, 2017. The National Assembly had 30 days from August 7, 2017 to approve or make observations to the 2017 Draft Budget. The 2017 Draft Budget proposed a budget of U.S.$36.8 billion, an increase of 2% from the U.S.$36.0 billion codified budget for 2016. In 2016, the 2016 initial budget was of U.S.$29.8 billion. The 2017 Draft Budget assumes an average crude oil price of U.S.$41.69 per barrel and estimates the export of 136.6 million barrels of crude oil and the import of 45.2 million barrels of petroleum derivatives. The 2017 Draft Budget estimates the budget deficit to amount to U.S.$4,700 million. The 2017 Draft Budget also estimates a GDP growth of 0.7%. The 2017 Draft Budget also sets the goal of a reduction of the budget deficit for the non-financial public sector from 7.6% of GDP in 2016 to less than 2% of GDP in 2021. The 2017 Draft Budget provides for projected revenues of about U.S.$14,760 million in taxes, U.S.$1,609 million in rates and contributions, U.S.$3,322 million in transfers from public companies and the Central Bank and U.S.$3,241 million in transfers and donations of capital and investments. The 2017 Draft Budget provides for projected expenses of about U.S.$9,192 million in personnel, U.S.$7,034 in the amortization of public debt, U.S.$5,123 in consumer goods and services and U.S.$4,060 million in transfers and donations of capital. The 2017 Draft Budget allocates about U.S.$18,876 million to the national treasury sector, U.S.$5,198 million to the education sector, U.S.$2,779 million to the health sector, U.S.$3,453 million to the security, risks and defense sector, U.S.$1,157 million to the housing sector and U.S.$1,048 billion to the social welfare sector. On August 31, 2017, the National Assembly approved the 2017 Draft Budget.

On July 2017, the *Contraloría General del Estado* (the "Office of the Comptroller General"), exercising its abilities granted by law to examine acts of public entities, announced that it will conduct an audit of all the internal and external debt of the Republic incurred between 2012 and 2017. While the Office of the Comptroller General had previously audited all such government acts involving debt until 2015 –without finding any illegalities, it is expected that the Ministry of Economy and Finance, the Central Bank and the *Secretaría de Planificación* (the "National Secretariat of Planning") will be covered by this review.

On July 28, 2017, President Moreno set forth the following plans for immediate execution:

- promote legislation intended to foster and improve the construction sector by revising the *Ley Orgánica para Evitar la Especulación sobre el Valor de las Tierras y Fijación de Tributos* (the "Law to Eliminate Speculation and Tax Fixing") in order to disincentive price speculation in real estate;
- incentivize investment and foreign exchange income through a bill that allows repatriation of capital belonging to those who hold capital abroad;
- encourage the use of electronic money in coordination with the national financial system;
- in line with austerity measures, optimize the use of national resources mainly in the hiring of personnel, consulting, publicity, vehicles and travel; and
- channel public investment towards efforts that are strictly necessary.

On October 2, 2017, President Moreno presented the following questions to the National Court of Justice 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 *Consejo Nacional Electoral* (the "National Electoral Council" or "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.

On October 11, 2017, President Moreno announced a number of economic measures intended to reactivate the economy, protect dollarization and finance social programs. The executive will send a bill to the National Assembly that will include:

- starting in 2018, an additional income tax applicable to natural persons earning at least $3,000 per month;
- an increase of 3% of the corporate income tax, from 22% to 25%, which was the level of corporate income tax in 2010; however, this will not be applicable to small and medium enterprises, and other companies that perform activities that facilitate the access of foreign currency into Ecuador;

- the elimination of prepayment of income tax for companies with annual sales of less than $300,000, and for companies with sales over $300,000, a refund of such income tax prepayment, on a progressive basis, subject to maintaining or increasing employment levels;

- the elimination of income tax for small enterprises for the first $11,000 of income;

- the elimination of income tax for small and medium enterprises during the first two years of operation;

- measures to incentivize the repatriation of capital, consisting in a 5-year tax holiday to those who repatriate capital within 12 months;

- a tax refund program for exporters;

- the elimination of land tax, and

- certain tariffs and rates to protect local producers and disincentive contraband.

The Ecuadorian Economy

According to the *Instituto Nacional de Estadística y Censos (*"National Institute of Statistics" or "INEC"), inflation decreased from 1.4% for the 12-month period ended August 31, 2016 to 0.3% for the 12-month period ended August 31, 2017 primarily due to a decrease in prices of furniture, home goods, items for the routine conservation of homes, clothing items, footwear and diverse goods and services, including items for personal care caused by the reduction in the value-added tax from 14% to 12% and a reduction in tariffs. According to the Central Bank, inflation decreased from 1.30% for the 12-month period ended September 30, 2016 to -0.03% for the 12-month period ended September 30, 2017. According to INEC, the rate of unemployment increased slightly from 4.4% as of March 31, 2017 to 4.5% as of June 30, 2017.

According to the Central Bank's Monthly Bulletin for August 2017, oil field crude production, including that of private and state-owned companies, reached 113.4 million barrels in the first seven months of 2017, representing a 2.7% decrease from the 116.6 million barrels produced in the first seven months of 2016 (and a decrease of 2.3% in barrels per day ("bpd")). In the first seven months of 2017, state-owned companies were responsible for 78.9% of production, compared to 78.6% of production in the first seven months of 2016.

According to the Central Bank's Monthly Bulletin for August 2017, for the period of January through July 2017, overall exports increased to U.S.$10,998 million, an increase of 17.4% compared to the U.S.$9,368 million for the same period for 2016. This increase was primarily due to an increase in crude oil exports (29.5%), as well as an increase in shrimp exports (21.9%) and an increase in bananas and plantains exports (16.5%). In the first seven months of 2017, crude oil exports totaled U.S.$3,466 million compared to U.S.$2,676 million in the first seven months of 2016. In the first seven months of 2017, shrimp exports totaled U.S.$1,764 million compared to U.S.$1,447 million in the first seven months of 2016. In the first seven months of 2017, banana exports totaled U.S.$1,891 million compared to U.S.$1,622 million in the first seven months of 2016. In the first seven months of 2017, cacao exports totaled U.S.$301 million, a 5.7% decrease from U.S.$319 million in the first seven months of 2016. In the first seven months of 2017, flower exports totaled U.S.$566 million, a 14.0% increase from U.S.$497 million in the first seven months of 2016. In the first seven months of 2017, fishing exports other than shrimp, totaled U.S.$137 million, a 14.2% decrease from U.S.$160 million in the first seven months of 2016.

According to the Central Bank's Monthly Bulletin for August 2017, for the period of January through July 2017, imports totaled U.S.$10,885 million, as compared to the U.S.$8,823 million for the first seven months of 2016, a 23.4% increase mainly as a result of an increase in imports of durable consumer goods, fuel and combustibles, industrial primary materials, international postal traffic and courier, construction materials, capital goods for agriculture, industrial capital goods and transportation equipment.

According to the Central Bank's quarterly bulletin for the second quarter of 2017, real GDP for the first six months of 2017 was U.S.$35,291 million, compared to U.S.$34,335 million for the first six months of 2016, representing an increase of 2.8% in real terms. This increase is mainly due to a growth of 3.8% in end consumption expenditures as a result of an increase in production of private sector entities, mainly related to financial services, production of glass, ceramics and cement, manufacturing of machinery and equipment, manufacturing of metal products and manufacturing of transportation equipment. Likewise, the performance of the private productive sector is further fostered by an increase in consumption, showing a quarterly variation of a non-oil gross production increase of 2.8%. In the first six months of 2017, the nominal GDP reached U.S.$50,772 million representing an increase from the U.S.$48,912 million in the first six months of 2016. The Central Bank's quarterly bulletin for the second quarter of 2017 reflects changes in nominal GDP and real GDP figures for 2014, 2015 and 2016, respectively, displayed in Tables 1 – 5 of the Updated Economic Indicators section hereof. The Central Bank's monthly bulletin for August reflects changes in the real GDP per capita and the nominal GDP per capita for 2013, 2014, 2015 and 2016, respectively, displayed in Table 2 of the Updated Economic Indicators section hereof.

According to the Central Bank's quarterly bulletin for the second quarter of 2017, in the first six months of 2017, manufacturing was the largest sector of the economy measured by percentage of GDP (13.69%), followed by construction (11.07%), trade (9.92%), community services (8.77%) and agriculture (8.56%). In the first six months of 2016, manufacturing, construction, trade, community services and agriculture were also the largest sectors of the economy measured by percentage of GDP, respectively accounting for 13.90%, 12.27%, 9.73%, 8.74% and 8.42%. In the first six months of 2017, manufacturing reached U.S.$6,952 million, an increase of 2.2% compared to U.S.$6,801 million in the first six months of 2016. In the first six months of 2017, construction activity decreased by 8.3% in real terms compared with the first six months of 2016.

In the first six months of 2017, the mining sector represented 0.47% of GDP, compared to 0.44% of GDP for the first six months of 2016. For the first six months of 2017, the electric and water sectors contributed a total of U.S.$918 million to GDP, an increase compared to U.S.$748 million for the first six months of 2016. For the first six months of 2017, the telecommunications sector accounted for U.S.$1,034 million of GDP, an increase of 6.2% compared to U.S.$974 million for the first six months of 2016. In the first six months of 2017, the agricultural sector represented 8.56% of GDP, an increase compared to 8.42% of GDP for the first six months of 2016.

In its quarterly bulletin for the second quarter of 2017, the Central Bank published information regarding balance of payments for the second quarter of 2017 as well as updated annual figures for previous years which are set forth in Table 11 below. For purposes of comparison with the first and second quarters of 2017, Table 12 below sets forth quarterly information for the first and second quarters of 2016 and the first and second quarters of 2017. For the quarters ended in June 2016 and June 2017, there were balance of payments surpluses.

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.$2,914.6 million in 2013 to U.S.$323.5 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.$923.4 million in 2013 to a deficit of U.S.$523.4 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.$523.4 million in 2014 to a deficit of U.S.$2,108.3 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 payment surplus of U.S.$1206.7 million, an increase compared to the U.S.$1,488.4 million deficit in 2015. The balance of payment surplus was due to an increase in the current account. For the second quarter of 2017, there was a balance of payment surplus of U.S.$652.3 million, a decrease of U.S.$202.3 million compared to the U.S.$854.5 million balance of payment surplus for the second quarter of 2016. This decrease was due to a decrease of U.S.$894.8 million in the current account surplus and to an increase of U.S.$665.8 million in liabilities of the capital and financial account.

The current account increased from a deficit of U.S.$2,108.3 million in 2015 to a surplus of U.S.$1,437.6 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 to a surplus of U.S.$1,567.3 million, which was due to a decrease in imports particularly with respect to fuel and lubricants as well as capital goods. In the second quarter of 2017, the current account registered a surplus of U.S.$59.2 million, a decrease of U.S.$895.0 million compared to the U.S.$954.2 million surplus for the second quarter of 2016. The decrease in the surplus of the current account was mainly due to a decrease of U.S.$647.3 million in the trade balance, an increase in the deficits of the services and the investment income accounts of U.S.$17.1 million and U.S.$81.5 million respectively and a decrease of U.S.$148.9 million in net transfers.

In the second quarter of 2017, the capital and financial account registered a surplus of U.S.$616.7 million compared to the deficit of U.S.$49.1 million for the second quarter of 2016. This increase was due to an increase of U.S.$2,279.8 million in liabilities of the investment portfolio and to the increase of assets and decrease in liabilities of U.S.$1,903.3 million in the other investment account which is composed of assets and liabilities consisting of commercial credits, loans, deposits and currency in circulation and other liabilities such as non-monetary capital subscriptions to international organizations and diverse accounts payable and accounts receivable.

According to the quarterly bulletin showing balance of payments figures, for the second quarter of 2017, imports totaled U.S.$4,626.7 million compared to U.S.$3,613.8 million for the second quarter of 2016. This increase in the level of imports was due to an increase in imports of 34.1% in consumer goods, 36.3% in fuel and lubricants, 33.7% in raw materials and 14.1% in capital goods. The trade balance for the second quarter of 2017 resulted in a surplus of U.S.$199.2 million, a decrease compared to the U.S.$846.2 million surplus in the second quarter of 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 contributed to this decrease in the surplus. The services balance for the second quarter of 2017 resulted in a deficit of U.S.$277.1 million, an increase compared to the U.S.$259.9 million deficit in the second quarter of 2016 as a result of an increase in the deficit of rendered services received of U.S.$55.2 million due to an increase in imported freights compared to a U.S.$38.2 million increase in credits of rendered services. The investment income balance for the second quarter of 2017 resulted in a deficit of U.S.$564.2 million, an increase compared to the U.S.$464.7 million deficit in the second quarter of 2016. This increase in the deficit was due to the payment of interests from the investment portfolio and to public and private external debt which increased in U.S.$88.6 million and U.S.$9.4 million, respectively. For the second quarter of 2017, remittances totaled U.S.$698.9 million, an increase compared to the U.S.$669.5 million total for the second quarter of 2016. This increase in remittances is due to the seasonality and economic situation of the main countries where Ecuadorians living abroad reside, including the United States, Spain, and Italy, among others. For the second quarter of 2017, direct investment totaled U.S.$175.1 million, an increase compared to the U.S.$128.5 million total for the second quarter of 2016. This increase was principally due to an increase of U.S.$13.8 million in shares and equity interests, an increase of U.S.$2.1 million in reinvested earnings and to an increase of U.S.$17.9 million consisting in net capital contributions of related companies. The investment portfolio for the second quarter of 2017 registered a surplus of U.S.$2,372.3 million, an increase compared to the U.S.$92.5 million surplus for the second quarter of 2016 mainly due to the Republic's issuance of U.S.$1.0 billion notes due 2023 with a coupon of 8.750% and to the issuance of U.S.$1.0 billion notes due 2027 with a coupon of 9.625% both issued on June 2, 2017.

Legal Proceedings

Burlington

On July 20, 2017, Ecuador and Burlington agreed before the High Court of Justice Queen's Bench Division, Commercial Court in the UK, that the enforcement of the Award be stayed until 45 days after the expiration of the provisional stay or expiration of the stay.

On August 31, 2017, the ICSID Annulment Committee lifted the provisional stay of the enforcement of the award and terminated the provisional stay. Given the decision of the ICSID Annulment Committee, Burlington has proceeded to activate its enforcement actions in the Southern District of New York, the U.S. District Court for the District of Columbia and the United Kingdom in accordance with the stipulations entered into between the parties. The parties may seek to extend the "no enforcement period" and are in discussions regarding the same.

On October 6, 2017, Professor Piero Bernardini, one of the Committee members, submitted his resignation. The proceeding is suspended until the vacancy is filled. Thereafter, a new procedural calendar will be presented to the parties.

Chevron

On July 18, 2017, the courts of The Hague denied Ecuador's request to set aside the September 17, 2013 partial award and the previous interim awards. Ecuador intends to submit another appeal on October 17, 2017.

International Reserves

As of September 30, 2017, Ecuador's International Reserves totaled U.S.$2,362.4 million, a decrease from August 31, 2016, when International Reserves totaled U.S.$4,472.9 million. This decrease was primarily due to payments made abroad by private sector entities, the net balance between deposits and withdrawals in the Central Bank's vaults and debt service payments.

Monetary System

As of September 30, 2017, total time and demand deposits increased to U.S.$27,479 million, an increase of 6.92% compared to September 30, 2016. This increase was principally due to accounting for the deposits of the new bank "Banco Diners" which contributed to a 3.12% growth in time and demand deposits out of the 6.92% total growth mainly driven by time deposits; an increase in demand deposits of Banco Pichincha, which despite the decrease in time deposits, contributed to a 1.24% growth in time and demand deposits out of the 6.92% total growth; and to the increase of mainly demand deposits of Produbanco and Banco Bolivariano, time deposits of Banco del Austro, and both time and demand deposits of Banco Internacional.

Total assets of the banking system increased from U.S.$33.5 billion as of September 30, 2016 to U.S.$36.8 billion as of September 30, 2017, an increase of 9.7%. This increase was principally due to an increase in the net loan portfolio of U.S.$4.20 billion.

As of September 30, 2017, the delinquency rate decreased to 3.4% compared to the 4.1% delinquency rate as of September 30, 2016. This decrease is principally due to a decrease of 3.16% in past-due loans, while the total gross loan portfolio increased by 23.81% as a result of an increase in the income of borrowers which decreased payment delays.

Public Sector Finances

In its monthly bulletin for August of 2017, the Central Bank published information regarding consolidated figures of non-financial public sector revenues and expenditures for the first quarter of 2017 and for April, May and June of 2017, respectively. In this bulletin, the Central Bank also published updated annual figures for December 2015 which are set forth in Table 14 below along with annual figures for December 2016 for purposes of comparison. Additionally, the Central Bank published information regarding figures for revenues and expenditures corresponding to the general state budget in this bulletin.

For the first six months of 2017, the non-financial public sector registered a deficit of U.S.$717 million compared to a deficit of U.S.$1,834 million for the first six months of 2016. This decrease in the deficit was due to a surplus in expenses in social security, a decrease in spending in public works and an increase in available funds for municipal and regional governments. For the first six months of 2017, total revenues for the non-financial public sector totaled U.S.$16,566 million, an increase from U.S.$14,437 million for the first six months of 2016. For the first six months of 2017, total expenditures for the non-financial public sector totaled U.S.$17,283 million, an increase compared to U.S.$16,271 million for the first six months of 2016.

For the first six months of 2017, total revenues of the general state budget were U.S.$9,416 million, while total expenditures were U.S.$11,304 million. This resulted in a deficit of U.S.$1,888 million for the first six months of 2017, an increase compared to the U.S.$1,288 million deficit for the first six months of 2016. This increase in the deficit is primarily due to the increased use of monetary resources to finance strategic investment projects and capital formation projects.

Public Debt

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.$32,771.2 million as of December 31, 2015, compared to U.S.$30,140.2 million as of December 31, 2014, U.S.$22,846.7 million as of December 31, 2013, U.S.$18,652.3 million as of December 31, 2012 and U.S.$14,561.8 million as of December 31, 2011. Since October 2016, pursuant to Presidential Decree 1218 ("Decree 1218"), the consolidated methodology is the legal methodology in Ecuador to calculate public sector debt to GDP in Ecuador and is in accordance with the IMF methodology set out in the Manual of Public Finance Statistics of the IMF (the "IMF GFS"). 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.$29,569.1 million as of August 31, 2017, U.S.$24,705.4 million as of August 31, 2016, U.S.$26,811 million as of December 31, 2016, U.S$21,273 million as of December 31, 2015, compared to U.S.$18,679 million as of December 31, 2014, U.S.$13,957 million as of December 31, 2013, and U.S.$11,526 million as of December 31, 2012. The increase in public sector debt from August 31, 2016 to August 31, 2017 was primarily due to disbursements of loans from the China Development Bank, the issuance of the 2022 Bonds, the 2023 Bonds, the 2026 Bonds and the 2027 Bonds and the Republic's guarantee of the issuance of the Petroamazonas 2019 Notes and the Petroamazonas 2020 Notes. The ratio of total aggregate public sector debt to GDP increased from 32.7% as of December 31, 2015 to 39.6% as of December 31, 2016. The ratio of total public sector consolidated debt to GDP increased from 21.2% as of December 31, 2015 to 27.9% as of December 31, 2016. The ratio of total public sector consolidated debt to GDP increased from 25.7% as of August 31, 2016 to 29.3% as of August 31, 2017 and, following the issuance of the Additional Notes, it is estimated that the total public debt to GDP will be approximately 29.3% under the consolidation methodology. As of August 31, 2017, interest payments on all debt obligations represent approximately 1.4% of GDP.

Total public external debt as of August 31, 2017 was U.S.$28,659.4 million, an increase from U.S.$23,624.1 million as of August 31, 2016 due primarily to disbursements of loans from the China Development Bank, the issuance of the 2022 Bonds, the 2026 Bonds, the 2023 Bonds, the 2027 Bonds and the Republic's guarantee of the issuance of the Petroamazonas 2019 Notes and the Petroamazonas 2020 Notes.

As of August 31, 2017, the top three bilateral lenders to Ecuador were China, Brazil, and Spain, with debt levels of U.S.$ 6,716.3 million (88.7% of the total bilateral debt), U.S.$ 190,7 million (2.5% of the total bilateral debt) and U.S.$ 164,5 million (2.2% of the total bilateral debt), respectively.

On June 2, 2017, the Republic successfully issued two tranches of notes. Under the first tranche, the Republic issued the 2023 Bonds. Under the second tranche, the Republic issued the 2027 Bonds. The Republic is current on its financial obligations under the 2023 Bonds and under the 2027 Bonds and intends to make all payments as they become due and payable. The Republic used the proceeds of the 2023 Bonds and the 2027 Bonds 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 11, 2017, Ecuador entered into a U.S.$65 million credit facility agreement with the French Development Agency ("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 *Corporación Financiera Nacional* ("CFN") or *Corporación Nacional de Finanzas Populares y Solidarias* ("CONAFIPS") adding earthquake resistant features and to reactivate the main productive sectors in the Ecuadorian provinces most affected by the 7.8 magnitude earthquake that struck Ecuador on April 16, 2016.

On October 2, 2017, the Latin American Reserve Fund ("FLAR") approved a loan of U.S.$637.8 million for Ecuador for a term of three years with a one year grace period for the payment of principal. It is expected that the proceeds of this loan will be used to improve Ecuador's balance of payments.

GSI Loan Facility

On October 11, 2017 the Republic and Goldman Sachs International ("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 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.$606 million nominal amount of notes issued by the Republic (the "Additional Notes") (with a market value at the date of the transaction of U.S.$ 650 million) and in return received the interest amounts on the Additional 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 Additional Notes transferred to GSI. The Additional Notes constitute "Further Notes" (as defined in each of the Offering Circulars) 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 Additional Notes was authorized by the Republic's Debt and Finance Committee under Acta Resolutiva No. 014 dated October 10, 2017. The Additional Notes will be 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 Additional 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 Additional 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 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 (the “Equivalent Property”) to the Additional Notes (under the Bond Derivative Transaction) 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 Additional Notes at any time to any third party, although it will retain economic exposure to the Equivalent Property for so long as GSI has a future obligation, whether or not contingent, to deliver the Equivalent Property. Upon the occurrence of a credit event, GSI will retain the Gold and the 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 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 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, 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 Additional Notes transferred to GSI) and is required to transfer to the Ministry of Economy and Finance 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 Additional 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 Additional Notes to the applicable holders of the Additional Notes, and will have certain remedies against the Central Bank.

Article 124 of the *Código Orgánico de Planificación y Finanzas Públicas* (the “Public Planning and Finance Code”) establishes a total public debt to GDP ceiling of 40%. According to the Ministry of Economy and Finance, as of the close of August 2017, it is estimated that the Republic’s total public debt to GDP will be approximately 29.8% (after taking into account the effect of the GSI Loan Facility).

Article 133 of the Rules to the Public Planning and Finance Code sets forth that 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 of the Republic of Ecuador issued implementing regulations through the enactment of Decree 1218, which is currently in effect. Decree 1218, establishes that the Ministry of Economy and Finance shall 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. See “Public Debt-Decree 1218” in the Offering Circular attached as Appendix B. 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, has been used to calculate the total public debt to GDP ratio.

Accordingly, the Ministry of Economy and Finance has not considered the aggregate amount of the Additional Notes in the calculation of total public debt to GDP ceiling as described above, as it has been accounted as a "contingency" (*pasivo contingente*) 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 the Additional Notes should be treated as contingencies under the IMF GFS and in the Public Planning and Finance Code because they form part of a series of transactions which contemplate that any interest amounts on the Additional Notes will be returned to the Central Bank as provided in the Bond Derivative Transaction and through the Swap Agreement to the Republic, GSI has agreed to retain economic exposure to the Equivalent Property and, unless a credit event occurs, GSI is required to return 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, the Additional Notes (as part of the Bond Derivative Transaction) are 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 will also exclude the Additional Notes from certain other unconsolidated measures which reflect the amount of its indebtedness owed to the Central Bank and other governmental agencies.

There is currently no precedent in Ecuador for similar transactions being treated as a contingency, such as the Additional Notes in the context of the Bond Derivative Transaction, as the IMF GFS guidelines were recently implemented and adopted through Decree 1218. The treatment of the Additional Notes as a contingency may be subject to a subsequent Presidential decree implementing other methodologies or different interpretation of the IMF GFS guidelines. If the Additional Notes were not to be 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 increase by approximately 0.6% to 30.4% following the consolidation methodology, which, as of the date of this Supplement, is below the total public debt to GDP ceiling of 40% established by Ecuadorian law; however, if the 40% ceiling is surpassed in the future, it could potentially affect the ability of the Republic to incur further debt obligations. As of the date of this Supplement, the Additional Notes have not exceeded the total public debt to GDP ceiling and, as such, are considered validly issued. 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 Noteholders*" in the Offering Circular attached as Appendix B.

Updated Economic Indicators[1]

Table 1: Real and Nominal GDP (1)

(in millions of U.S. dollars, except for percentages)

	For the Year Ended December 31,			For the Six months ended June 30,	For the Six Months ended June 30,
	2014	2015	2016	2016	2017
Nominal GDP	101,726	99,290	98,614	48,912	50,772
Real GDP (2)	70,105	70,175	69,068	34,335	35,291
Real GDP growth(3)	3.8%	0.1%	-1.6%	-2.9%	2.8%

(1) Figures in this table are updated from those in the Offering Circular for the 2023 Notes in accordance with the Central Bank's Quarterly Bulletin on National Accounts for the Second Quarter of 2017.

(2) 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.

(3) Real GDP Growth measured as compared to Real GDP figure from the corresponding period of the previous year.

[1] The economic indicators in this Supplement only reflect data that has been released since the date of the Offering Circular for the 2023 Notes. The Supplement does not reproduce all of the tables and data presented in the Offering Circular for the 2023 Notes. Please see the relevant sections in the Offering Circular for the 2023 Notes for more detailed data.

Table 2: Per Capita GDP

	For the Year Ended December 31,			
	2013	2014	2015	2016
Per capita Nominal GDP (current U.S.$)	6,031	6,347	6,099	5,966
Per capita Real GDP	4,282	4,374	4,311	4,179
Population (in thousands)[1]	15,775	16,027	16,279	16,529

Source: Based on figures from Table 4.3.5 of the Central Bank's Monthly Bulletin for August 2017.

(1) Population figures correspond to projected population annual figures from 2010 census.

Table 3: Real GDP by Expenditure

(in millions of dollars)

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2014	2015	2016	2016	2017
Consumption					
Public Sector Consumption	10,252.3	10,471.8	10,293.4	5,132.6	5,214.3
Private Consumption	43,088.8	43,049.2	41,485.0	20,559.2	21,349.9
Total Consumption	53,341.2	53,521.0	51,778.4	25,691.8	26,564.2
Gross Investment					
Gross Fixed Capital Formation	18,626.3	17,465.3	16,049.4	8,071.7	7,848.5
Change in Inventory	471.2	-123.1	-508.5	-461.9	472.9
Exports of goods and services[1]	19,342.0	19,218.8	19,610.2	9,736.4	9,923.1
Imports of goods and services [1]	21,675.4	19,907.4	17,861.0	8,702.9	9,518.0
Real GDP	70,105.4	70,174.7	69,068.5	34,335.2	35,290.8

Source: Based on figures from the Central Bank Quarterly National Accounts for the Second Quarter of 2017.

(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 Supplement.

Table 4: Real GDP and Expenditure Growth

(Percentage change from previous comparable period based on 2007 prices)

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2014	2015	2016	2016	2017
Real GDP Growth	3.8	0.1	-1.6	-2.9	2.8
Import of goods & services [1]	4.8	-8.2	-10.3	-17.6	9.4
Total Supply of Goods & Services	**4.0**	**-1.9**	**-3.5**	**-6.3**	**4.1**
Public Sector Consumption	6.7	2.1	-1.7	-2.8	1.6
Private Consumption	2.7	-0.1	-3.6	-5.6	3.9
Gross Fixed Capital Formation	2.3	-6.2	-8.1	-10.7	-2.8
Exports of goods and services[1]	6.2	-0.6	2.0	0.1	1.9
Total Final Demand	**4.0**	**-1.9**	**-3.5**	**-6.3**	**4.1**

Source: Based on figures from the Central Bank Quarterly National Accounts for the Second Quarter of 2017.

(1) Corresponds to figures from "Real GDP by Expenditure" table.

Table 5: Nominal GDP by Economic Sector (1)

(in millions of U.S. dollars, except for percentages)

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2014	% of GDP	2015	% of GDP	2016	% of GDP	2016	% of GDP	2017	% of GDP
Manufacturing[2]	13,717	13.48	13,513	13.61	13,622	13.81	6,801	13.90	6,952	13.69
Construction	10,891	10.71	11,125	11.20	11,871	12.04	6,002	12.27	5,620	11.07
Petroleum	10,913	10.73	4,344	4.38	3,375	3.42	1,512	3.09	1,967	3.87
Trade (commerce)	10,545	10.37	10,218	10.29	9,637	9.77	4,761	9.73	5,036	9.92
Agriculture	8,122	7.98	8,406	8.47	8,344	8.46	4,120	8.42	4,347	8.56
Community services	7,833	7.70	8,499	8.55	8,692	8.81	4,277	8.74	4,454	8.77
Government services[3]	6,682	6.57	6,660	6.71	6,849	6.95	3,451	7.06	3,415	6.73
Administrative activity[4]	7,016	6.90	6,887	6.94	6,388	6.48	3,190	6.52	3,154	6.21
Transportation	4,338	4.26	4,773	4.81	5,139	5.21	2,529	5.17	2,687	5.29
Finance and insurance	3,166	3.11	3,165	3.19	3,094	3.14	1,517	3.10	1,720	3.39
Telecommunications	2,127	2.09	1,984	2.00	1,972	2.00	974	1.99	1,034	2.04
Electricity and water	1,253	1.23	1,509	1.52	1,594	1.62	748	1.53	918	1.81
Shrimp	563	0.55	445	0.45	499	0.51	240	0.49	257	0.51
Mining	354	0.35	346	0.35	449	0.46	214	0.44	238	0.47
Others [5]	14,208	13.97	17,427	17.55	17,088	17.33	8,576	17.53	8,972	17.67
Total GDP	**101,726**	**100**	**99,290**	**100**	**98,614**	**100**	**48,912**	**100**	**50,772**	**100**

Source: Based on information from the Central Bank.

(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.

Table: 6: Annual Inflation

	As of September 30,	
	2016	2017
Annual inflation	1.30%	-0.03%

Table: 7: International Reserves

(in millions of U.S. dollars)

	As of September 30,	
	2016	2017
International reserves[1]	4,472.9	2,362.4

(1) 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 (“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.

Table 8: Unemployment Rate

	As of June 30, 2017
The Economy	
Unemployment Rate[4]	4.5%

Table 9: Labor Force and Employment

(in thousands of persons, except percentages)

	June 2017
Total Population[1]	16,746
Labor Force [2]	11,856
Labor Force Participation [3]	8,148
Labor Force Participation Rate	68.7%
Employed Labor Force	7,782
Unemployed Labor Force	366
Unemployment Rate [4]	4.5%

Source: *Based on figures from INEC as of June 2017.*

(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.

Table 10: Wage and Unemployment

	June 30, 2017
Unemployment rate (% of economically active population)[1]	4.5
Underemployment rate (% of economically active population)[2]	54.93

Source: Based on figures from INEC as of June 2017.

(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.

Table 11: Annual Balance of Payments[1]

(in millions of U.S.$)

	2012	2013	2014	2015	2016
Current Account	**-165.3**	**-923.4**	**-523.4**	**-2,108.3**	**1,437.6**
Trade balance	**49.9**	**-528.6**	**-63.5**	**-1,649.8**	**1,567.3**
Exports (FOB)[2]	24,568.9	25,586.8	26,596.5	19,048.7	17,425.4
Petroleum and derivatives	13,792.0	14,107.2	13,275.5	6,660.1	5,459.2
Non-petroleum	9,972.8	10,643.7	12,448.9	11,670.6	11,338.5
Non-registered commerce and other exports	804.1	835.9	872.0	718.1	627.7
Imports (FOB)	-24,519.0	-26,115.3	-26,660.0	-20,698.5	-15,858.1
Services	**-1,394.3**	**-1,419.6**	**-1,170.7**	**-805.2**	**-1,054.5**
Rendered services (credit)	1,804.0	2,041.4	2,346.3	2,391.3	2,139.9
Transportation	408.7	435.8	437.0	444.3	409.8
Travel	1,032.5	1,246.2	1,482.1	1,551.4	1,443.6
Other	362.8	359.4	427.1	395.7	286.4
Rendered services (debit)	-3,198.4	-3,460.9	-3,517.0	-3,196.6	-3,194.3
Transportation	-1,708.4	-1,708.9	-1,743.9	-1,510.1	-1,238.2
Travel	-610.6	-622.5	-634.6	-638.6	-661.1
Other	-879.4	-1,129.5	-1,138.5	-1,047.8	-1,295.0
Investment income	**-1,301.1**	**-1,374.1**	**-1,553.3**	**-1,731.1**	**-1,855.5**
Inflows (credit)	104.9	112.6	120.7	140.3	161.4
Outflows (debit)	-1,406.0	-1,486.7	-1,674.0	-1,871.4	-2,016.9
Employees' remuneration	-8.4	-9.8	-11.4	-13.5	-14.4
Direct investment income	-674.4	-680.5	-663.2	-598.0	-433.1
Portfolio investment income	-64.0	-63.7	-143.2	-230.9	-300.7
Other	-659.2	-732.7	-856.1	-1,029.0	-1,268.7
Net transfers	**2,480.2**	**2,398.8**	**2,264.1**	**2,077.8**	**2,780.3**
Emigrant remittances	2,466.9	2,449.5	2,461.7	2,377.8	2,602.0
Capital and financial account	**-514.0**	**2,914.6**	**323.5**	**584.7**	**-130.1**
Capital account	**121.5**	**66.1**	**66.8**	**-69.1**	**-813.8**
Financial account	**-635.5**	**2,848.5**	**256.8**	**653.8**	**683.8**
Direct Investment	567.5	727.0	772.3	1,322.0	754.6
Portfolio Investment	66.7	-909.8	1,500.4	1,473.4	2,200.9
Other Investment	-1,269.7	3,031.3	-2,015.9	-2,141.6	-2,271.8
Errors and omissions	**97.4**	**-145.3**	**-224.6**	**35.2**	**-100.8**
Total balance of payments	**-581.9**	**1,845.9**	**-424.5**	**-1,488.4**	**1,206.7**
Financing	**581.9**	**-1,845.9**	**424.5**	**1,488.4**	**-1,206.7**
International Reserves [3]	475.1	-1,878.0	411.5	1,453.1	-1,762.9
IMF loans	-	-	-	-	365.2
Exceptional Financing, net[4]	106.8	32.1	13.0	35.3	191.0

Source: Based on figures from the Central Bank 2017 Quarterly Balance of Payments Bulletin for the Second Quarter of 2017. 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.

Table 12: Quarterly Balance of Payments[1]

(in millions of U.S.$)

	For the Quarter Ended,			
	March 2016	June 2016	March 2017	June 2017
Current Account	**-54.8**	**954.2**	**307.5**	**59.2**
Trade balance	**20.3**	**846.2**	**533.5**	**199.2**
Exports (FOB) [2]	3,786.4	4,460.3	4,855.4	4,825.9
Imports (FOB)	-3766.0	-3,613.8	-4,321.9	-4,626.7
Services	**-196.8**	**-259.9**	**-243.6**	**-277.1**
Rendered services (credit)	565.4	492.4	556.6	530.5
Transportation	91.5	102.2	94.5	102.5
Travel	391.8	315.3	397.8	372.4
Other	82.0	74.8	64.3	55.5
Rendered services (debit)	-762.2	-752.2	-800.2	-807.6
Transportation	-297.7	-283.7	-340.3	-357.3
Travel	-162.1	-158.1	-164.5	-170.9
Other	-302.3	-310.4	-295.4	-279.4
Investment income	**-471.2**	**-464.7**	**-600.6**	**-546.2**
Inflows (credit)	38.9	37.0	45.3	43.7
Outflows (debit)	-510.1	-501.7	-645.9	-590.0
Employees' remuneration	-3.9	-3.9	-3.6	-3.3
Other outflows investment income[3]	-506.2	-497.8	-642.2	-586.7
Net transfers	**592.9**	**832.3**	**618.2**	**683.4**
Emigrant remittances	594.7	669.5	625.7	698.9
Other transfers	110.9	288.8	116.2	119.6
Outgoing transfers	-112.8	-126.0	-123.7	-135.1
Capital and financial account	**-144.7**	**-49.1**	**-763.4**	**616.7**
Capital account	**-535.5**	**-314.3**	**15.2**	**16.7**
Financial account	**390.8**	**265.2**	**-778.5**	**600.0**
Direct Investment	198.6	128.5	184.9	175.1
Portfolio Investment	-328.1	92.5	1,033.2	2,372.3
Other Investment	520.3	44.1	-1,996.6	-1,947.4
Errors and omissions	**108.7**	**-50.6**	**-5.1**	**-23.7**
Total balance of payments	**-90.7**	**854.5**	**-460.9**	**652.3**
Financing	**90.7**	**-854.5**	**460.9**	**-652.3**
International Reserves [4]	-77.1	-860.7	449.2	-657.5
IMF loans	-	-	-	-
Exceptional Financing, net [5]	167.9	6.2	11.6	5.3

Source: Based on figures from the Central Bank 2017 Quarterly Balance of Payments Bulletin for the Second Quarter of 2017. 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.

Table 13: Overall Balance of Trade [1]

(in millions of U.S.$)

	Exports	Imports	Balance
First Quarter of 2016	3,786.4	-3,766.0	20.3
Second Quarter of 2016	4,460.3	-3,613.8	846.5
First Quarter of 2017	4,855.4	-4,321.9	533.5
Second Quarter of 2017	4,825.9	-4,626.7	199.2

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the Second Quarter of 2017.

(1) Data for exports and imports reflect figures from "Balance of Payments" chart.

Table 14: Consolidated Non-financial Public Sector Revenues and Expenditures

(in millions of U.S.$ and as a % of GDP)

	For the year ended December 31,				January 1- June 30[1]	
	2015	% of GDP	2016	% GDP	2016	2017
Revenue						
Petroleum Revenue						
Exports[2]	6,346	6.4	5,402	5.5	2,529	2,548
Domestic Sales	-	-	-	-	-	-
Total Petroleum Revenue (a)	**6,346**	**6.4**	**5,402**	5.5	2,529	2,548
Non-petroleum revenue						
Income Tax	4,734	4.8	3,640	3.7	2,057	2,147
Value-added Tax	6,352	6.4	5,400	5.5	2,666	2,970
Specific consumption taxes	840	0.8	790	0.8	356	445
International trade taxes	2,026	2.0	1,633	1.7	746	732
Social Security Contributions	5,052	5.1	4,741	4.8	2,305	2,740
Other[3]	6,933	7.0	8,091	8.3	3,516	4,037
Total non-petroleum revenue (b)	**25,937**	**26.1**	**24,294**	**24.8**	**11,649**	**13,071**
Operating Income of Public Companies (c)	**1,298**	**1.3**	**618**	**0.6**	**261**	**947**
Total Revenue (a+b+c)	**33,581**	**33.8**	**30,314**	**40.0**	**14,437**	**16,566**
Expenses						
Current Expenditures						
Interest	1,368	1.4	1,561	1.6	732	996
Foreign	1,143	1.2	1,335	1.4	624	906
Domestic	225	0.2	226	0.2	109	90
Wages and salaries	9,904	10.0	10,014	10.2	4,704	4,858
Purchases of goods and services	5,111	5.1	4,684	4.8	2,104	1,932
Social Security	4,216	4.3	4,655	4.8	2,121	2,354
Others	6,884	6.9	5,691	5.8	2,858	2,733
Total Current Expenditure	**27,483**	**27.7**	**26,604**	**27.2**	**12,520**	**12,872**
Capital Expenditure and net lending						
Gross capital formation	10,344	10.4	10,293	10.5	3,409	3,876
General State Budget	5,542	5.6	6,105	6.2	1,374	2,264
Public Companies	3,286	3.3	2,533	2.6	1,368	848
Rest of General Government	1,516	1.5	1,655	1.7	667	764
Other Capital Expenditure	850	0.9	731	0.7	342	535
Total Capital Expenditure	**11,194**	**11.3**	**11,024**	**11.3**	**3,751**	**4,411**
Total Expenditure	**38,677**	**39.0**	**37,628**	**38.5**	**16,271**	**17,283**
Surplus/Deficit	**-5,096**	**-5.1**	**-7,314**	**-7.5**	**-1,834**	**-717**

Source: Based on figures from the Central Bank August 2017 Monthly Bulletin (Table 2.1 and Table 2.2).

(1) Figures for the period from January 1, 2017 through June 30, 2017, were calculated based on figures published for the first trimester of 2017 and aggregations of figures corresponding to April 2017, May 2017 and June 2017, respectively.

(2) 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.

(3) Includes other taxes and revenue.

Table 15: General State Budget Revenues and Expenditures

(in millions of U.S.$)

	January 1 – June 30[1]	
	2016	2017
Revenue[2]		
Petroleum revenue	836	880
Non-petroleum revenue	7,939	8,536
Tax revenue		
Taxes on goods and services		
Value-added tax	2,666	2,970
Selected excise taxes	356	445
Total taxes on goods and services	3,022	3,415
Taxes on income and profits	2,057	2,148
Taxes on International Trade		
Import duties	746	732
Exit tax[3]	406	438
Total taxes on international trade	1,152	1,170
Vehicle tax	106	104
Other taxes	423	611
Total tax revenue	6,760	7,447
Non-tax revenue	970	959
Transfers	209	131
Total revenues	8,775	9416
Current expenditure		
Interest accrual		
Foreign	535	791
Domestic	392	416
Total interest accrual		
Wages and salaries	4,157	4,268
Purchase of goods and services	836	964
Other current expenditures	380	320
Transfers	470	629
Total current expenditure	6,770	7,388
Capital expenditure		
Fixed capital expenditure	1,374	2,264
Other	218	-
Capital Transfers	1,702	1,653
Total capital expenditure	3,293	3,916
Total Expenditure[3]	10,063	11,304
Adjustment on treasury accounts	-	-
Overall surplus or deficit	-1,288	-1,888

Source: Based on figures from the Central Bank August 2017 Monthly Bulletin (Table 2.2.1)

[1] Figures for the period from January 1, 2017 through June 30, 2017, were calculated based on figures published for the first trimester of 2017 and aggregations of figures corresponding to April 2017, May 2017 and June 2017, respectively.

[2] Revenues are cash, expenditures are accrued.

[3] Includes all interest payments under foreign debt obligations.

Table 16: Exports - (FOB)

(in millions of U.S.$ and as a % of total exports)

	January 1 – July 31,			
	2016		2017	
	U.S.$	%	U.S.$	%
Crude oil	2,676	28.6	3,466	31.5
Bananas and plantains	1,622	17.3	1,891	17.2
Petroleum derivatives	227	2.4	352	3.2
Shrimp	1,447	15.4	1,764	16.0
Cacao	319	3.4	301	2.7
Coffee	7	0.1	9	0.1
Tuna and other fish	160	1.7	137	1.2
Flowers	497	5.30	566	5.1
Metal Manufacturing[(1)]	231	2.5	238	2.2
Other products[(2)]	2,182	23.3	2,275	20.7
Total[(3)]	**9,368**	**100**	**10,998**	**100**

Source: Based on figures from the Central Bank August 2017 Monthly Bulletin (Table 3.1.1).

(1) Includes vehicles and their components.

(2) "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 and textile manufactured products.

(3) 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.

Table 17: Imports – (CIF)

(in millions of U.S.$ and as a % of total imports)

	January – July 31,			
	2016		2017	
	U.S.$	%	U.S.$	%
Consumer goods				
Non-durable goods	1,156	13.1	1,325	12.2
Durable goods	670	7.6	951	8.7
Postal traffic	72	0.8	92	0.8
Fuel and combustibles	1,381	15.7	1,822	16.7
Primary Materials				
Agriculture	601	6.8	672	6.2
Industrial	2,401	27.2	3,139	28.8
Construction materials	218	2.5	271	2.5
Capital Goods				
Agriculture	65	0.7	77	0.7
Industrial	1,690	19.2	1,845	16.9
Transportation Equipment	532	6.0	661	6.1
Other	37	0.4	31	0.3
Total	**8,823**	**100**	**10,885**	**100**

Source: Based on figures from the Central Bank August 2017 Monthly Bulletin (Table 3.1.7).

(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) "Other products" consist of non-traditional primary and manufactured products, including canned seafood, vehicles and chemicals.

Table 18: Exports - (FOB) by Destination Country[1]

(in millions of U.S.$, and as a % of total exports)

	January - July			
	2016		2017	
	U.S. $	%	U.S.$	%
Americas				
United States	3,081	32.9	3,651	33.2
Peru	459	4.9	680	6.2
Colombia	445	4.7	434	4.0
Chile	602	6.4	752	6.8
Other (Americas)[2]	989	10.6	951	8.7
Total Americas	5,576	59.5	6,468	58.8
Europe				
European Union (EU)	1,652	17.6	1,889	17.2
Italy	253	2.7	359	3.3
United Kingdom	85	0.9	116	1.1
Germany	329	3.5	292	2.7
Spain	316	3.4	354	3.2
Other (EU)[3]	669	7.1	769	7.0
Rest of Europe[4]	520	5.6	582	5.3
Total Europe	2,172	23.2	2,471	22.5
Asia				
Taiwan	4	0.0	8	0.1
Japan	162	1.7	199	1.8
China	355	3.8	425	3.9
South Korea	45	0.5	67	0.6
Other countries[5]	962	10.3	1,303	11.9
Total Asia	1,528	16.3	2,002	18.2
Africa	44	0.5	22	0.2
Oceania	31	0.3	33	0.3
Other countries	18	0.2	2	0.0
Total	**9,368**	**100**	**10,998**	**100**

Source: Central Bank August 2017 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 of Asia.

Table 19: Imports (CIF) by Country of Origin

(in millions of U.S.$)

	January - July	
	2016	**2017**
Americas[1]		
Mexico	270	362
United States	2,360	2,606
Central America	56	63
South America and the Caribbean		
Argentina	94	195
Brazil	363	461
Bolivia	91	95
Colombia	714	939
Chile	246	296
Panama	422	628
Peru	386	432
Rest of Americas and Caribbean	193	264
TOTAL AMERICA	**5,195**	**6,342**
Europe		
Germany	226	275
Italy	152	138
Spain	188	323
UK	28	42
Rest of EU[2]	403	627
Rest of Europe[3]	197	156
TOTAL EUROPE	**1,195**	**1,561**
Asia		
China	1,348	1,616
Japan	159	226
Taiwan	70	74
South Korea	294	341
Rest of Asia[4]	429	568
TOTAL ASIA	**2,301**	**2,825**
Postal Traffic and regions excluding the Americas, Europe and Asia[5]	132	157
Total	**8,823**	**10,885**

Source: Central Bank August 2017 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.

Table 20: Foreign Investment by Sector

(in millions of U.S.$, and as a % of total foreign investment)

	For the Year Ended December 31										For January 1 – June 30			
	2012		2013		2014		2015		2016		2016		2017	
	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%	U.S.$	%
Agriculture, forestry, hunting and fishing	17.8	3.1	20.8	2.9	38.9	5.0	67.8	5.1	42.0	5.6	10.8	3.3	65.0	18.0
Commerce [(1)]	83.3	14.7	110.3	15.2	148.5	19.2	172.9	13.1	122.2	16.2	56.7	17.3	76.2	21.2
Construction	31.6	5.6	69.2	9.5	4.7	0.6	6.8	0.5	30.5	4.0	26.6	8.1	5.0	1.4
Electricity, gas and water	46.4	8.2	29.2	4.0	-4.7	-0.6	61.8	4.7	1.2	0.2	1.1	0.3	1.9	0.5
Petroleum [(2)]	224.9	39.7	252.9	34.8	685.6	88.8	559.8	42.4	461.7	61.2	202.9	62.0	38.0	10.6
Manufacturing	135.6	23.9	137.9	19.0	107.7	14.0	264.1	20.0	37.5	5.0	10.4	3.2	106.0	29.5
Social and personal services	1.7	0.3	-2.3	-0.3	14.1	1.8	-10.8	-0.8	-9.9	-1.3	-6.7	-2.1	-1.3	-0.4
Services rendered to businesses	39.5	7.0	117.7	16.2	24.4	3.2	243.3	18.4	21.9	2.9	15.3	4.7	27.4	7.6
Transportation, storage and telecommunications	-13.4	-2.4	-8.5	-1.2	247.0	-32.0	-43.6	-3.3	47.5	6.3	10.1	3.1	41.9	11.6
Total	**567.5**	**100**	**727.0**	**100**	**772.3**	**100**	**1,322.0**	**100**	**754.6**	**100**	**327.1**	**100**	**360.0**	**100**

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the Second Quarter of 2017

(1) Commerce includes investment in commercial infrastructure and real estate.

(2) Includes mining and natural gas.

Table 21: Petroleum Production

(in thousands of barrels per year, except where noted)

	January 1 – August 31,	
	2016	2017
Public Companies[(1)]	104,979	102,504
Other operators	28,633	27,516
Total	**133,612**	**130,020**
Petroleum production per day[(2)]	548	535

Source: Petroleum data is based on figures from the Central Bank September 2017 Monthly Bulletin (Table 4.1.1).

(1) Public company numbers include the production of Rio Napo, CEM, ("Rio Napo"). Petroamazonas and PDVSA own Rio Napo, with 70% and 30% interests, respectively.

(2) Petroleum information is displayed in thousands of barrels per day as an average.

Table 22: Public Sector External Debt

(by debtor, in billions of U.S. dollars at the end of the year, except percentages)

	As of August 31,	
	2016	2017[(1)]
Central Government	20.94	25.57
Public financial and non-financial entities	2.67	3.08
Total	23.62	28.65
External public debt as a percentage of nominal GDP[(2)]	24.6%	28.4%

Source: Ministry of Economy and Finance August 2017 Bulletin.

(1) Includes the 2024 Bonds, the 2020 Bonds, the 2022 Bonds, the 2026 Bonds, the 2023 Bonds and the 2027 Bonds.

(2) Calculated using Central Bank GDP data, except for August 2017 percentage which is calculated using estimates from the Ministry

Table 23: Public Sector External Debt by Type of Creditor

(in billions of U.S. dollars)

	As of August 31,	
	2016	2017
Multilateral	8.04	8.34
Bilateral	7.84	7.73
Commercial and Bonds	7.74	12.59
Total Public Sector External Debt	**23.62**	**28.66**

Source: Ministry of Economy and Finance August 2017 Bulletin.

Table 24: Material Public External Debt

(in millions U.S.$)

Creditor	Balance as of August 31, 2017
Multilateral	
IBD	**4,674.40**
CAF	**3,230.52**
FLAR	**77,20**
Others [(1)]	**357,92**
Total Multilateral Debt	**8,340,04**
Bilatera	
China	**6,716,32**
Brazil	**190,72**
Spain	**164,47**
Italy	**4,2**
Japan	**35,40**
Others [(2)] [(3)]	**619,47**
Total Bilateral Debt	**7,730,60**
Other Debt [(4)]	**12,588,79**
Total External Debt	**28,659,43**

Source: Ministry of Economy and Finance as of August 2017.

(1) Other multilateral loans include loans with the International Fund for Agricultural Development and the *Banco Internacional de Reconstrucción y Fomento.*

(2) Includes amounts from loans from Paris Club members.

(3) Other bilateral lenders include South Korea, Germany, France, and the United States, among others.

(4) "Other debt" includes commercial debt and amounts owed under the 2030 Bonds, the 2020 Bonds, the 2022 Bonds, the 2024 Bonds, the 2026 Bonds, the 2023 and 2027 Bonds and the Brady Bonds.

Table 25: Interest on Public Sector External Debt

(in millions of U.S. dollars, except percentages)

	At August 31, 2017	
	Amount	Percentage
Fixed Rate	1,441.9	5.03%
0-3%	574.0	2.00%
3-5%	8,730.7	30.46%
5-8%[(1)]	7,639.1	26.65%
More than 8%[(2)]	10,273.7	**35.85%**
Floating	**28,659.4**	**100.00%**
Total	1,441.9	5.03%

Source: Ministry of Economy and Finance August 2017 Bulletin.

(1) Reflect the amounts under the 2024 Bonds

(2) Reflects the amounts under the 2015 Bonds, the 2020 Bonds, the 2022 Bonds, the 2026 Bonds, the 2023 Bonds, the 2027 Bonds and the 2030 Bonds.

Table 26: Public Sector External Debt Service Maturity 2017-2027

(in millions of U.S. dollars)

	For the Year Ending December 31,										
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Central Government	**4,043**	**3,856**	**3,572**	**4,810**	**2,797**	**4,583**	**3,296**	**3,919**	**1,620**	**3,045**	**3,393**
Principal................	2,426	2,134	1,941	3,317	1,497	3,462	2,397	3,209	1,042	2,505	3,148
Interest..................	1,617	1,723	1,631	1,493	1,301	1,121	899	710	578	540	245
Rest of Public Sector	**672**	**1,021**	**954**	**497**	**267**	**193**	**170**	**150**	**128**	**112**	**88**
Principal................	497	863	838	417	210	145	127	114	96	84	65
Interest................	176	158	116	79	57	48	42	37	32	28	24
Total Debt Service	**4,715**	**4,877**	**4,526**	**5,306**	**3,065**	**4,776**	**3,466**	**4,070**	**1,748**	**3,157**	**3,482**

Source: Ministry of Economy and Finance as of August 2017

Table 27: Public Sector Internal Debt

(in billions of U.S. dollars, except percentage)

	As of August 31,	
	2016	2017
Central Government Notes	12.42	14.19
Governmental Entities [(1)]	0.76	0.76
Total[(2)]	**13.18**	**14.95**
Internal public debt as a percentage of nominal GDP[(3)]	**13.7%**	**14.8%**

(1) Direct issuances backed by IESS and the Ecuadorian Development Bank. Government is the debtor under all internal debt issuances.
(2) Total public sector internal debt under the aggregation methodology.
(3) Calculated using Central Bank GDP data.

Table 28: Public Sector Internal Debt

(in millions of U.S.$, except percentages)

	As of August 31	
	2017	
	U.S.$	%
Short-term notes	–	–
Long-term notes [(1)]	14,187	94.9
AGD notes [(2)]	–	–
CFN notes [(3)]	–	–
Total notes	14,187	94.9
Governmental Entities[(4)]	**765.4**	**5.1**
Total internal debt[(5)]	**14,952**	**100%**

Source: Ministry of Economy and Finance August 2017.

(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) Direct issuances backed by IESS and the Ecuadorian Development Bank.
(5) Total public sector internal debt under the aggregation methodology.

Table 29: Debt to GDP Ratio

(in millions of U.S.$, other than percentages)

	As of August 31,	
	2016	2017
Consolidated Total Debt	24,705.4[(1)]	29,569.1
Consolidated Debt to GDP Ratio	25.7	29.3[(2)]

Source: Ministry of Economy and Finance August 2017 Bulletin

(1) December 2016 figures and August 2016 figures based on Ministry of Economy and Finance's December 2016 and August 2016 Bulletin respectively.
(2) Based on Ministry of Economy and Finance's estimate of projected GDP, which differs from look-back data from the Central Bank.

THE ADDITIONAL NOTES 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 Supplement and in the attached Offering Circulars, in particular in the sections entitled the "Offering" *and* "Description of the Notes" *in each attached Offering Circular. Each series of Additional Notes will have identical terms and conditions as its respective series of Original Notes, other than the issue date and issue price as described below.*

Issuer:

The Republic of Ecuador.

Additional Notes Issue Amount:

Additional 2022 Notes: U.S.$378,000,000. Upon consummation of this Additional Notes offering, the aggregate principal amount of the 2022 Notes will be U.S.$2,378,000,000.

Additional 2023 Notes: U.S.$187,000,000. Upon consummation of this Additional Notes offering, the aggregate principal amount of the 2023 Notes will be U.S.$1,187,000,000.

Additional 2026 Notes: U.S.$41,000,000. Upon consummation of this Additional Notes offering, the aggregate principal amount of the 2026 Notes will be U.S.$ 1,791,000,000.

Securities Offered:

U.S.$378,000,000 principal amount of 10.750% notes due 2022. Consolidated with and forming a single series, from and including the Issue Date, with the 2022 Notes issued originally on July 28, 2016 and reopened on September 30, 2016, in the aggregate principal amount of U.S.$2,000,000,000.

U.S.$187,000,000 principal amount of 8.750% notes due 2023. Consolidated with and forming a single series, from and including the Issue Date, with the 2023 Notes issued on June 2, 2017, in the aggregate principal amount of U.S.$1,000,000,000.

U.S.$41,000,000 principal amount of 9.650% notes due 2026. Consolidated with and forming a single series, from and including the Issue Date, with the 2026 Notes originally issued on December 13, 2016, and reopened on January 13, 2017, in the aggregate principal amount of U.S.$1,750,000,000.

Issue Format:

Rule 144A/Regulation S; however, with respect to the offer and sale of the Additional Notes by the Republic, no Additional Notes will be offered and sold in the United States or to U.S. persons.

Issue Price:

112.878% plus accrued interest from September 28, 2017 to but excluding October 16, 2017, which equals U.S.$1,918.87500 per U.S.$1,000 principal amount of Notes for a total of U.S.$1,918,875.00.

104.412% plus accrued interest from June 2, 2017 to but excluding October 16, 2017, which equals U.S.$6,045.03472 per U.S.$1,000 principal amount of Notes for a total of U.S.$ 6,045,034.72.

106.664% plus accrued interest from June 13, 2017 to but excluding October 16, 2017, which equals U.S.$1,340.81389 per U.S.$1,000 principal amount of Notes for a total of U.S.$1,340,813.89.

Issue Date: October 16, 2017.

Maturity Date: 2022 Notes: March 28, 2022.

2023 Notes: June 2, 2023.

2026 Notes: December 13, 2026.

Interest: 2022 Notes: 10.750% per annum, computed on the basis of a 360-day year of twelve 30 day months.

2023 Notes: 8.750% per annum, computed on the basis of a 360-day year of twelve 30 day months.

2026 Notes: 9.650% per annum, computed on the basis of a 360-day year of twelve 30 day months.

Interest Payment Dates: 2022 Notes: Each March 28 and September 28, commencing on March 28, 2018.

2023 Notes: Each June 2 and December 2, commencing on December 2, 2017.

2026 Notes: Each June 13 and December 13, commencing on December 13, 2017.

Form: The Additional Notes will be 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. Additional Notes in definitive certificated form will not be issued in exchange for the global notes except under limited circumstances.

Denominations: The Republic will issue the Additional Notes only in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Ranking: The Additional 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 Excluded Indebtedness), provided, that, such ranking is in terms of priority only and does not require that Ecuador make ratable payments on the Additional Notes with payments made on its other External

Indebtedness.

Use of Proceeds: The Republic will use the proceeds of U.S.$606 million of the Additional Notes in accordance with the limitations of the Public Planning and Finance Code, as further described in "*Use of Proceeds*" on page 27 of this Supplement. For more information regarding use of proceeds, see "*Recent Developments—Public Debt—GSI Loan Facility*".

Trustee, Registrar and Transfer Agent: The Bank of New York Mellon.

London Paying Agent: The Bank of New York Mellon, London Branch.

Luxembourg Listing Agent, Transfer Agent and Luxembourg Paying Agent: The Bank of New York Mellon (Luxembourg) S.A.

Governing Law: The Additional 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.

Further Issues: The Republic may, from time to time, without the consent of the holders of the Additional Notes, create and issue additional notes having the same terms and conditions as the Additional Notes in all respects (or in all respects except for the amount of the first interest payment and the issue price) provided that:

(b) the notes are consolidated and form a single series with the outstanding Notes, and

(c) such additional notes do not have, for purposes of U.S. federal income taxation, a greater amount of original issue discount than the outstanding Additional Notes have as of the date of the issue of such additional notes (regardless of whether any holders of such Notes are subject to U.S. federal income taxation).

USE OF PROCEEDS

The use of proceeds for public debt is limited by the Public Planning and Finance Code (defined in the Offering Circular). 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 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 of the Republic.

The Republic will use the proceeds of the Additional Notes in accordance with the limitations of the Public Planning and Finance Code. For more information regarding use of proceeds, see "*Recent Developments—Public Debt—GSI Loan Facility*".

PLAN OF DISTRIBUTION

The Republic will sell the Additional Notes at the offering price set forth on the cover page of this Supplement outside the United States in reliance on Regulation S. The price at which the Additional Notes are offered may be changed at any time without notice.

The Additional Notes have not been and will not be registered under the Securities Act or any state securities law and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. With respect to the offer and sale of the Additional Notes by the Republic, no Additional Notes will be offered and sold in the United States or to U.S. persons. See "*Transfer Restrictions*" on each Offering Circular.

Although an application has been made to list the Additional Notes on the Official List of the Luxembourg Stock Exchange and to have the Additional Notes trade on the Euro MTF Market, the listing does not assure that a trading market for the Additional Notes will develop. No assurance can be given as to how liquid the trading market for the Additional Notes will be. The Republic cannot provide any assurances that the prices at which the Additional Notes will trade in the market after this offering will not be lower than the initial offering price or that an active trading market for the Additional Notes will develop and continue after this offering.

See sections "Selling Restrictions" in each of the Offering Circulars.

No action has been taken by the Republic that would, or is intended to, permit a public offer of the Additional Notes in any country or jurisdiction where any such action for that purpose is required.

Accordingly, the Republic will not, directly or indirectly offer or sell any Additional Notes or distribute or publish any offering circular, this Supplement and the Offering Circulars, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Additional Notes by it will be made on the same terms.

We expect that delivery of the Additional Notes will be made to investors on or about October 16, 2017, which we expect will be the third business day following the date of this Supplement (such settlement being referred to as "T+3"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise.

Notice to Ecuadorian Residents

The Additional Notes are not registered in the Securities Market Public Registry of Ecuador (Catastro Público del Mercado de Valores, CPMV) subject to the control and supervision of the Superintendence of Companies, Securities and Insurance (SCVS).

As unregistered securities, the Republic is not required to disclose public information about the Additional Notes in Ecuador. The Additional Notes may not be publicly offered in Ecuador unless they are registered in the CPMV.

This Supplement and other offering materials relating to the offer of the Additional Notes do not constitute a public offer of, or an invitation to subscribe for or purchase, the Additional Notes in the Republic of Ecuador, and the contents herein have not been approved by the SCVS.

VALIDITY OF THE NOTES

The validity of the Additional 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. 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.

In connection with the issuance of the Additional Notes, the Attorney General will issue a “Pronouncement” in relation to the Additional 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 Additional Notes, as well as the submission to arbitration provisions set out therein.

GENERAL INFORMATION

1. The Global Notes have been accepted for clearance and settlement through Euroclear and Clearstream, Luxembourg.

The common codes for the Regulation S Global Note and the Restricted Global Note with respect to the 2022 Notes are 145851467 and 145851696, respectively, and the International Securities Identification Numbers for the Regulation S Global Note and the Restricted Global Note are XS1458514673 and XS1458516967, respectively.

The common codes for the Regulation S Global Note and the Restricted Global Note with respect to the 2023 Notes are 162676873 and 162676865, respectively, and the International Securities Identification Numbers for the Regulation S Global Note and the Restricted Global Note are XS1626768730 and XS1626768656, respectively.

The common codes for the Regulation S Global Note and the Restricted Global Note with respect to the 2026 Notes are 153507198 and 153507210, respectively, and the International Securities Identification Numbers for the Regulation S Global Note and the Restricted Global Note are XS1535071986 and XS1535072109, respectively.

2. The Republic has obtained all necessary consents, approvals and authorizations in the Republic of Ecuador in connection with the issue and performance of the Additional Notes.

The issue of the original 2022 Notes was authorized by the Republic's Debt and Finance Committee under Acta Resolutiva No.013 dated June 20, 2016.

The issue of the reopened 2022 Notes was authorized by the Republic's Debt and Finance Committee under Acta Resolutiva No.020 dated September 27, 2016.

The issue of the 2023 Notes was authorized by the Republic's Debt and Finance Committee under Acta Resolutiva No. 011 dated May 30, 2017.

The issue of the original 2026 Notes was authorized by the Republic's Debt and Finance Committee under *Acta Resolutiva* No. 029 dated December 8, 2016.

The issue of the reopened 2026 Notes was authorized by the Republic's Debt and Finance Committee under Acta Resolutiva No.02 dated January 10, 2017.

The issue of the Additional Notes was authorized by the Republic's Debt and Finance Committee under *Acta Resolutiva* No. 014 dated October 10, 2017.

3. The Republic is involved in certain litigation and administrative arbitration proceedings. See "*Legal Proceedings*" on each of the Offering Circulars and "*Recent Developments – Legal Proceedings*" in this Supplement.

4. On November 23, 2016, Moody's Investors Service affirmed the Republic's long-term Government bond ratings at "B3" with a "stable outlook." On September 30, 2016, Standard & Poor's Ratings Services affirmed the Republic's foreign long-term issuer rating at "B" with a "stable outlook." On June 29, 2017, Standard & Poor's Ratings Services 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 was affirmed at "B," but the rating outlook was revised from "stable" to "negative." On August 25, 2017, Fitch Ratings affirmed the Republic's long-term foreign currency issuer default rating at "B" with a "negative" rating outlook.

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 Additional Notes. Each rating should be evaluated independently of the others. Detailed explanations of the ratings may be obtained from the rating agencies.

5. Application has been made to list the Additional Notes on the Official List of the Luxembourg Stock Exchange and to have the Additional Notes admitted to trading on the Euro MTF Market. So long as any of the Additional Notes are listed on the Luxembourg Stock Exchange, the Republic will maintain a paying agent and transfer agent in Luxembourg.

6. 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 in Luxembourg so long as any of the Additional Notes are listed on the Luxembourg Stock Exchange:

(a) each Indenture incorporating the forms of the respective Global Notes,

(b) this Supplement,

(c) the Offering Circulars,

(d) copies of the 2008 Constitution, and the Legislative Decrees of the Republic referred to in paragraph 2 above (in Spanish), and

(e) copies of the Republic's consolidated public sector fiscal accounts for the last calendar year (as and when available (in English).

7. Other than as disclosed herein and in the Offering Circulars, 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 Additional Notes.

8. Save as disclosed in "*Legal Proceedings*" in the Offering Circulars and "*Recent Developments – Legal Proceedings*" in this Supplement, 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 Additional Notes nor, as far as the Republic is aware, is any litigation pending or threatened.

ISSUER

The Republic of Ecuador
Ministry of Economy and Finance
Ave. 10 de Agosto 1661 y Jorge Washington
Quito, Ecuador

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You should rely only on the information contained in the Offering Circulars and this Supplement or to which Ecuador has referred you. Ecuador has not authorized anyone to provide you with information that is different. This Supplement may only be used where it is legal to sell these securities. The information in this Supplement may only be accurate on the date of this Supplement.

The Republic of Ecuador

U.S.$378,000,000 10.750% Notes due 2022
U.S.$187,000,000 8.750% Notes due 2023
U.S.$41,000,000 9.650% Notes due 2026

Offering Circular Supplement

October 11, 2017