OFFERING CIRCULAR

The Republic of Guatemala

US$700,000,000

4.875% NOTES DUE 2028

The Republic of Guatemala (the "Republic") is offering US$700,000,000 aggregate principal amount of 4.875% Notes due 2028 (the "Notes"). The Notes will mature on February 13, 2028. Interest on the Notes will be payable semi-annually in arrears on February 13 and August 13 of each year, beginning August 13, 2013. The first interest payment will be on August 13, 2013.

The Notes will contain provisions, commonly known as "collective action clauses," regarding acceleration and voting on future amendments, modifications and waivers that differ from those applicable to certain of the Republic of Guatemala's outstanding Public External Indebtedness (as defined herein). Under these provisions, which are described in the sections entitled "Description of the Notes—Events of Default" and "—Collective Action Securities, Modifications, Amendments and Waivers," the Republic of Guatemala may amend the payment provisions of the Notes and certain other terms with the consent of the holders of 75% of the aggregate amount of the Notes.

Except as described herein, payments on the Notes will be made without deduction for or on account of withholding taxes imposed by the Republic. Application will be made to list the Notes on the Luxembourg Stock Exchange and to have the Notes admitted to trading in the Euro MTF Market.

The Notes will be general, direct, unconditional, unsubordinated and unsecured obligations of the Republic and will rank equally with all other existing and future unsubordinated and unsecured Public External Indebtedness of the Republic. The Notes will be backed by the full faith and credit of the Republic.

See "Risk Factors" regarding certain risk factors you should consider before investing in the Notes.

Price: 98.692% plus accrued interest, if any, from February 13, 2013.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any other jurisdiction. The Notes may not be offered or sold within the United States or to U.S. persons, except to (1) qualified institutional buyers in reliance of the exemption from registration provided by Rule 144A of the Securities Act and (2) certain persons in offshore transactions in reliance on Regulation S of 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. For a description of certain restrictions on transfer, see "Transfer Restrictions."

The delivery of the Notes is expected to be made to investors in book-entry form through the facilities of The Depository Trust Company, for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., or "Euroclear," and Clearstream Banking, société anonyme, Luxembourg, or "Clearstream," on or about February 13, 2013.

Sole Lead Manager and Bookrunner

HSBC

The date of this offering circular is February 6, 2013.

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This offering circular does not constitute an offer to sell, or a solicitation of an offer to buy, any Notes by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. Neither the delivery of this offering circular nor any sale made hereunder will under any circumstances imply that there has been no change in the affairs of the Republic or that the information contained in this offering circular is correct as of any date subsequent to the date hereof.

This offering circular has been prepared by the Republic solely for use in connection with the proposed offering of the Notes. This offering circular does not constitute an offer to the public generally to subscribe for or otherwise acquire Notes. Each prospective purchaser, by accepting delivery of this offering circular, agrees to the foregoing and to make no photocopies of this offering circular or any documents referred to herein.

IN MAKING AN INVESTMENT DECISION, EACH PROSPECTIVE PURCHASER MUST RELY ON ITS OWN EXAMINATION OF THE REPUBLIC AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY U.S. OR NON-U.S. FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THESE AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Notes will constitute general, direct, unconditional, unsubordinated and unsecured Indebtedness of the Republic and will rank at least equally among themselves and with all other present and future unsubordinated and unsecured Public External Indebtedness of the Republic. The Republic has pledged its full faith and credit for the due and punctual payment of all amounts due in respect of the Notes.

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") deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC") for the respective accounts at DTC as such subscribers may direct. 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 "Rule 144A Global Note" and, together with the Regulation S Global Note, the "Global Notes") deposited with a custodian for, and registered in the name of a nominee of, DTC for the respective accounts at DTC as such subscribers may direct. Beneficial interests of DTC participants (as defined under "Book-Entry Settlement and Clearance") in the Global Notes will be shown on, and transfers thereof between DTC participants will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"), if applicable. Except as described herein, definitive Notes will not be issued in exchange for beneficial interests in the Global Notes. See "Book-Entry Settlement and Clearance" and "Description of the Notes—Form, Denomination and Title." For restrictions on transfer applicable to the Notes, see "Transfer Restrictions" and "Subscription and Sale."

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). Accordingly, the Notes may not be offered, sold or delivered within the United States or to or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Each prospective purchaser should be aware that it may be required to bear the financial risks of this investment for an indefinite period of time. See "Transfer Restrictions."

Each prospective purchaser of Notes must comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering circular and the purchase, offer or sale of the Notes, and it must obtain any required consent, approval or permission for the purchase, offer or sale by it of the Notes under the laws and regulations applicable to it in force in the jurisdiction to which it is subject or in which it makes those purchases, offers or sales. Neither the Republic nor the Sole Lead Manager has any responsibility therefor. See "Transfer Restrictions."

IN CONNECTION WITH THIS ISSUE OF NOTES, THE SOLE 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.

The Republic, having made all reasonable inquiries, confirms that this offering circular contains all information that is material in the context of the issue of the Notes, that the information contained in this offering circular is true and accurate in all material respects, and that there are no other facts the omission of which makes this offering circular as a whole or any such information misleading in any material respect. The Republic accepts responsibility accordingly.

The Sole Lead Manager is not making any express or implied representation or warranty as to the accuracy or completeness of the information contained in this offering circular. The Sole Lead Manager has not independently verified any information contained in this offering circular and assumes no responsibility for the accuracy or completeness of this information. Nothing contained in this offering circular is, or will be relied upon, as a promise or representation, whether as to the past or to the future.

The Luxembourg Stock Exchange takes no responsibility for the contents of this offering circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering circular.

Neither the Republic nor the Sole Lead Manager, nor any of their representatives, is making any representation regarding the legality of an investment by it under appropriate legal investment or similar laws. Each prospective purchaser should consult with its own advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes.

The Republic has not authorized any person to provide any prospective purchaser of Notes with information different from that contained in this offering circular. The Republic is offering to sell the Notes only where offers and sales are permitted. The information contained in this offering circular is accurate only as of the date of this offering circular, regardless of the time of delivery of this offering circular or of any sale of the Notes.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

TERMS AND CONVENTIONS

Terms

All references in this offering circular to "Guatemala" or to the "Republic" are to the Republic of Guatemala, and all references to the "Government" are to the national government of Guatemala and its authorized representatives.

In regards to this offering circular, the terms set forth below have the following meanings:

- Gross domestic product ("GDP") is the total market value of all final goods and services produced in a country in a given year. Nominal GDP is the value of a country´s overall output of goods and services at market prices. Real GDP is the total market value of final goods and services at constant prices of a particular year, which allows for comparisons of historical GDP that exclude the effects of inflation. In this offering circular, real GDP figures are based on constant prices of the year 2001, the year used by *Banco de Guatemala* for purposes of maintaining real GDP statistics. GDP growth rates and growth rates pertaining to the various sectors of Guatemalan´s economy are based on real figures, unless otherwise indicated. *Banco de Guatemala* is the Central Bank of the Republic and is referred in this offering circular as the "Bank of Guatemala" or "BG."

- For balance of payments purposes, the BG is responsible for compiling and disseminating the Guatemala´s balance of payments statistics. Balance of payments statistics are prepared in accordance with the methodology described in the fifth edition of the IMF's Balance of Payments Manual ("BPM5"). The BG obtains information preparing the balance of payments statistics from a number of different sources: the *Superintendencia de Administración Tributaria* (Superintendence of Tax Administration, or "SAT"), the *Ministerio de Finanzas Públicas* (Ministry of Public Finance), the *Instituto Guatemalteco de Turismo* (Guatemalan Tourism Institute, or"INGUAT"), the Superintendencia de Bancos (Superintendence of Banks, or "SIB"), several agencies that belong to the Ministry of Economy, other departments within the BG, international organizations, and surveys filled out by private institutions.

- An inflation rate provides an aggregate measure of the rate of change in the prices of goods and services in the economy. The Republic measures the inflation rate by the percentage change between two periods in the consumer price index. The consumer price index is based on a basket of goods and services identified by the *Instituto Nacional de Estadística* (National Institute of Statistics, or "INE") that reflects the pattern of consumption of Guatemalan households. The price for each good or service that makes up the basket of goods and services is weighted according to its relative importance in an average household's consumption pattern in order to calculate the consumer price index. The annual percentage change in the consumer price index is calculated by comparing the index as of a date against the index for the corresponding date in the prior years. Since April, 2011, the consumer price index is calculated using information from a new basket of goods (December 2010=100). This new basket compiles information from eight geographical regions in 24 major urban centers with a total of 441 varieties of products (goods and services). The previous basket (December 2000=100) was in place until March, 2011 and included 424 varieties of products (goods and services). The National Institute of Statistics does not compile statistics to calculate a producer price index or a wholesale price index, which are other indices often used by certain countries to measure inflation.

- One *quintal* is a unit of weight equal to 100 pounds.

Currency and Exchange Rates

Unless otherwise specified, "U.S. dollars," "dollars" and "US$" refer to United States dollars, and "*quetzales*" and "Q" refer to Guatemalan *quetzales*. Unless otherwise indicated, we have converted *quetzales* into dollars, and dollars and other foreign currencies into *quetzales*, for each year based on a *quetzal*/U.S. dollar exchange rate for purchasing U.S. dollars by the Bank of Guatemala, which is referred to the *quetzal*/U.S. dollar exchange rate of Q7.90230 per US$1.00 effective on December 31, 2012. Currency conversions, including conversions of *quetzales* to U.S. dollars, are solely for the convenience of the reader. These conversions are not a representation that the stated amounts have been, could have been or will be converted into any other currency, at any particular rate or at all.

On February 5, 2013, the official *quetzal*/U.S. dollar exchange rate was 7.82854 per US$1.00. See "Balance of Payments and Foreign Trade—Exchange Rate Policy and Foreign Exchange Rates."

Presentation Financial and Economic Information

The Republic has presented all annual information in this offering circular based on a calendar year, unless otherwise indicated.

Certain financial and economic information presented in this offering circular may be subject to routine review and possible adjustment. Specifically, some information and data for 2010, 2011 and 2012 are preliminary, and are subject to review and adjustment as additional or amended information may become available. We have identified such information and data as "preliminary" or "estimated" in this offering circular. The Government believes that this review process is substantially similar to the practices of other industrialized nations. The Government does not currently expect that any such adjustments will be material; although no assurances may be given that material changes will not be made or that the information provided is complete.

Certain percentages and amounts in this offering circular may differ from the sum of individual amounts in those tables due to rounding.

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 a number of assumptions and estimates which 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 are principally contained in the sections: "Summary," "The Republic of Guatemala," "The Guatemalan economy," "Balance of Payments and Foreign Trade," "Monetary System," "Public Sector Finances" and "Public Sector Debt". 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. Such statements reflect the current views of the Republic with respect to future events and are subject to certain risks, uncertainties and assumptions. The Republic undertakes no obligation publicly to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, there can be no assurances that the events described or implied in the forward-looking statements contained in this offering circular will in fact occur.

Guatemala


0 30 60 km
0 30 60 mi
92
MEXICO
BELIZE
Flores
Gulf of Honduras
16
Puerto Barrios
Puerto Santo Tomás de Castilla
Cobán
Huehuetenango
Lago de Izabal
Volcán Tajumulco
Quetzaltenango
Coatepeque
GUATEMALA CITY
HOND.
Mixco
Mazatenango
Villa Nueva
Escuintla
Puerto Quetzal
14
NORTH PACIFIC OCEAN
90
EL SALVADOR

ENFORCEMENT OF CIVIL LIABILITIES

The Republic is a sovereign state. Consequently, it may be difficult for investors to obtain or realize in the United States or elsewhere judgments against the Republic. To the fullest extent permitted by applicable law, the Republic will irrevocably submit to the non-exclusive jurisdiction of any New York state or U.S. federal court sitting in The City of New York, and any appellate court thereof, in any suit, action or proceeding arising out of or relating to the Notes, and the Republic will irrevocably agree that all claims in respect of any such suit, action or proceeding may be heard and determined in any such New York state or U.S. federal court. The Republic will irrevocably waive, to the fullest extent that it may effectively do so, the defense of an inconvenient forum to the maintenance of any suit, action or proceeding and any objection to any proceeding whether on the grounds of venue, residence or domicile. To the extent that the Republic has or hereafter may acquire any sovereign or other immunity from the jurisdiction of such courts with respect to any suit, action or proceeding arising out of or relating to the Notes offered hereby or the Republic's failure or alleged failure to perform any obligations under the Notes (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise), the Republic will, to the fullest extent permitted under the U.S. Foreign Sovereign Immunities Act of 1976 and other applicable law, irrevocably waive such immunity in respect of any such suit, action or proceeding; *provided*, *however*, that under the U.S. Foreign Sovereign Immunities Act of 1976, it may not be possible to enforce in the Republic a judgment based on such a U.S. judgment. In addition, under the laws of Guatemala, the property and revenues of the Republic inside Guatemala are exempt from attachment or other form of execution before or after judgment. See "Description of the Notes—Governing Law" and "—Submission to Jurisdiction."

Notwithstanding the preceding paragraph, the Republic has not consented to service or waived sovereign immunity with respect to actions brought against it under the U.S. federal securities laws or any state securities laws. In the absence of a waiver of immunity by the Republic with respect to such actions, it would not be possible to obtain a judgment in such an action brought in a U.S. court against the Republic unless such court were to determine that the Republic is not entitled under the U.S. Foreign Sovereign Immunities Act of 1976 to sovereign immunity with respect to such action. In addition, even if a U.S. judgment could be obtained in any such action under the U.S. Foreign Sovereign Immunities Act, it may not be possible to enforce in the Republic a judgment based on such a U.S. judgment. Execution upon property of Guatemala located in the United States to enforce a U.S. judgment may not be possible except under the limited circumstances specified in the U.S. Foreign Sovereign Immunities Act.

SUMMARY

The following summary does not purport to be complete and it is wholly qualified by, and it is subject to, the detailed information appearing elsewhere in this offering circular. Investors should read the entire offering circular carefully before making an investment decision.

REPUBLIC OF GUATEMALA

General

Guatemala is a Central American republic located immediately south of Mexico and covers a territory of 42,042 square miles (108,889 square kilometers). Guatemala is divided into 22 departments and its population is approximately 15.1 million people, approximately 51.0% of whom live in rural areas, and the rest in urban areas. The Department of Guatemala has approximately 3.2 million inhabitants.

The Government is divided into three branches: executive, legislative and judicial. A separate Supreme Electoral Tribunal has independent authority to call and administer elections. There is also a separate Human Rights Ombudsman. Guatemala's current Constitution was adopted by a constituent assembly in 1985. The Constitution was amended through a referendum in January 1994 that, among other things, reduced the legislative terms of office from five to four years and set the presidential term limit at one four-year term. The form of government is a representative democracy, with over nine political parties represented in its legislature. The current president, Otto Peréz, is a member of the *Partido Patriota* political party.

Economy

Guatemala has the largest economy in Central America, with an estimated GDP of US$49,895.9 million for the year ended December 31, 2012. The economy has expanded at positive rates in recent years, even during the recent global economic crisis, growing at a real rate of 3.3% in 2008, 0.5% in 2009, 2.9% in the year 2010, 4.1% in 2011 and an estimated rate of 3.0% in 2012.

Over the last five years, Guatemala's economy has been characterized by:

- continued growth;
- stable inflation;
- a stable foreign exchange rate, under a flexible exchange rate regime;
- high levels of international reserves; and
- low public debt levels (for both internal and external public debt), which reflect moderate fiscal deficits.

Economic activity in Guatemala has been mainly driven by the private sector. The Government has historically played a limited role in the economy; for example, the public administration and defense sector represented only 7.8% of GDP in 2012. The economic activities that had the greatest impact on GDP in 2012, considering their relative weights and growth rates, were: agriculture, livestock, fishing and forestry; manufacturing; wholesale and retail trade; private services; and public administration. These activities comprised approximately 80.0% of GDP growth in 2012.

Guatemala's economic growth decelerated in 2009, as a result of the global economic crisis, suffering a contraction in foreign trade and a decrease in tourism and remittances inflows; however, unlike most countries in Latin America, Guatemala still had positive growth in 2009. We believe that this was due to the country's strong macroeconomic fundamentals and an effective monetary policy response. Guatemala's current account balance has been favorably influenced by remittances from Guatemalans living and working abroad (mainly in the United States), although such remittances decreased in 2009 as a result of high unemployment rates in the U.S. In 2012, remittances recovered to 2008 levels (US$4,403.3 million). As for capital and financial account balance of payments, in 2009, there was a reduction of US$589.3 million in private capital flows (including foreign direct investment), offset in part by an increase in official capital inflows resulting from Government borrowings, primarily from multilateral financial institutions, aimed at mitigating the impact of a drop in tax revenues associated with the global economic crisis. Private capital flows began to recover in 2010 and continued showing improvement in 2011 and 2012.

Presidential Elections

In the September 11, 2011 presidential general election, neither Otto Pérez Molina, the presidential candidate of the *Partido Patriota* ("PP"), nor Manuel Baldizón, the presidential candidate of *Libertad Democrática Renovada* ("LIDER"), secured a 50% majority of the popular vote necessary to succeed President Álvaro Colom. In the run-off election held on November 6, 2011 between Otto Pérez Molina and Manuel Baldizón, Otto Pérez Molina was elected president of Guatemala by a 53.7% share of the popular vote. In these elections, PP failed to secure a majority in Congress. PP currently has 39.2% of congressional seats (62 of 158), LIDER has 15.2% and *Unión del Cambio Nacionalista* ("UCN") has 10.8%. Other parties control the remaining 55 seats, with none of those parties controlling more than 11 seats.

Recent Developments

Government Program for Change –Change Agenda

The Government has announced a broad-based program called *Agenda del Cambio* (the "Change Agenda") that sets forth the Government's priorities according to five organizing principles or axes: (1) democratic security and justice; (2) competitive economic development; (3) productive social infrastructure and development; (4) social inclusion; and (5) sustainable rural development. The implementation of the Change Agenda will be effected through the adoption of specific programs for the provision of goods and services embodied in three accords or pacts: The Pact for Security, Justice and Peace; The Fiscal Pact for Change; and The "Zero Hunger" Pact. See "Republic of Guatemala— Government Program for Change – Change Agenda" and "Public Sector Finances—Fiscal Pact for Change."

In 2012, the Government accomplished the following achievements under these three pacts:

The Pact for Security, Justice and Peace:

- An historic decrease of 9% in violent deaths (526 homicides less than 2011) and a reduction of more than four percentage points in the homicide rate per every 100,000 habitants. Furthermore, other illegal activities were also reduced, including women´s violent deaths (9% less than 2011), kidnappings (33% less than 2011) and auto thefts (5% less than 2011).
- The dissolution as well as the trial of 31 homicide gangs and hired assassins, 20 extortionist gangs, 23 kidnapping gangs, seven femicide gangs and five auto theft gangs;
- The reduction of homicide violence and the dissolution of criminal groups is the result of an institutional task force composed of the National Civil Police, the Civil Intelligence, the Public Ministry and the Army of Guatemala.

The Fiscal Pact for Change:

- Approval of the Law Against Evasion II and Tax Administration Updating. (See "Public Sector Finances-Fiscal Pact for Change)
- Budget spending for the year ended December 31, 2012 reached 96.1% of the target levels, and it is above the overall average of 2000-2011 (93.2%).
- Direct foreign investment increased to 29.6%.
- Guatemala ranked 93 of 185 economies reported in "Doing Business", a report issued by the World Bank, advancing five positions compared to 2011.
- Examples of international commercial expansion by Guatemala in 2012 include the Partnership Agreement with European Union, new free trade Agreements with Mexico and Peru and a partial trade Agreement with Ecuador.
- *Instituto Guatemalteco de Seguridad* Social –IGSS- ("The Social Security Institution of Guatemala") registered 123,847 new jobs (an increase of 20.7% compared to November 2011).
- The Government worked on 32 road infrastructure projects, assisting 63 municipalities of 83 that were given priority. 888.5 Km of roadways were recovered from damage due to weather events and lack of maintenance. Paved road networks were increased by 527.4 km.
- In early 2012, Guatemala was ranked last in electrical infrastructure by *Central America Sistema de Interconexión Eléctrica para Centro América* (SIEPAC). Currently, it is the leader in the region, with two power substations: Panaluya and Aguacapa, which will be operational in 2013. Energy cost reductions were

promoted by generating renewable sources (hydroelectric, geothermal, wind, solar and biomass) and more efficient use of fuel.

- *Comisión Nacional de Salario* ("The National Wage Committee") decided by consensus to increase the current minimum wage by 5%, for agricultural, non-agricultural and maquila and export activity.

The Zero Hunger Pact:

- In order to institutionalize and strengthen the strategies of the Zero Hunger Pact, Decree 235-2012 was approved.
- Efforts under the Decree are focused on the 166 municipalities most affected by chronic malnutrition and on 213 municipalities afflicted by seasonal hunger, most of which are municipalities with the highest poverty rates as well as rural areas nationwide.
- The *Ministerio de Desarrollo Social* –MIDES- (Ministry of Social Development) has been established and is now operating as the executive branch agency that is responsible for management of public policies aimed at improving the welfare of people and vulnerable social groups suffering exclusion and living in poverty.

Other Recent Developments

The United Nations Secretary General, Ban Ki-moon, visited Guatemala March 15-17, 2011. The visit highlighted the strong support that both the Government and the United Nations have given to the *Comisión Internacional contra la Impunidad en Guatemala*, or "CICIG" (International Commission against Impunity in Guatemala) and its Commissioner. The country also received support from the UN in preparing for the "International Summit in Support of Central American Security Strategy" that was held June 22-24, 2011. The visit provided Guatemala an opportunity to convene a meeting with the Heads of State that comprise the Central American Integration System, or "SICA" (*Sistema de la Integración Centroamericana*) to exchange views with the Secretary General, as he expressed interest in working closely with regional and sub-regional governmental entities.

On June 29, 2011 the *Ley de Extinción de Dominio*, or the Asset Forfeiture Law was enacted in Decree No. 55-2010 of the Congress of the Republic of Guatemala. The law is directed primarily against drug trafficking activities. It aims to regulate the identification, location, recovery, repatriation of assets and the confiscation, as well as the profits and products derived from illegal or criminal activity, on behalf of the state.

In the area of social development, specific actions were undertaken with the focus on increasing human development of the population living in conditions of poverty and extreme poverty from 2008-2011, including most notably: 7,932,000 meals served at the "*Comedores Solidarios*" (Solidarity Diners) and 217 schools opened with 762,000 students enrolled. The presidential program "*Mi Familia Progresa*" registered 887,972 families, and as a result, 2.5 million children and youth received education and health benefits. In 2010, the Guatemalan Social Security Institute expanded its coverage throughout the entire national territory. In 2012, the creation of MIDES further facilitated social protection strategies, encouraging greater transparency, the targeting and expansion of social programs and effective accountability in social matters.

The National Climate Change Policy was published in December 2009 and approved by Governmental Accord No. 329-2009. The policy's objective is based on Guatemala—through the central government, municipalities, civil society organizations and citizens—employing risk prevention practices to reduce vulnerability and improve adaptation to climate change, as well as aiming to reduce emissions of greenhouse gases in the national territory and strengthen its capacity to influence international negotiations on climate change. Furthermore, Guatemala has taken important steps to fulfill its environmental commitments pursuant to international agreements such as The Millennium Declaration, The Convention on Biological Diversity, The Vienna Convention for the Protection of the Ozone Layer, The United Nations Framework Convention on Climate Change, etc. Also, working under the framework of the Paris Declaration, the Government of the Republic and the "G-13" leadership reaffirmed five sector priorities and declared the establishment of specific objectives, among which Environment and Water were of first priority, as stipulated in The Declaration of Antigua Guatemala II, signed in November 2008.

On December 31, 2011, the Multi-Sectoral Group ("MSG") of the initiative for Transparency in the Construction Sector ("CoST") of Guatemala presented the second "Assurance Report" of CoST with updated information for 2010 and 2011. The MSG is comprised of representatives from the Government, private and public sectors. The group receives financial assistance from the Government of Spain and technical assistance from the World Bank. In late 2009, the Government of Guatemala officially announced that Guatemala was joining the international initiative CoST, a major World Bank program that aims to promote transparency in infrastructure projects financed with public funds. One of the goals of CoST is the mandatory disclosure of information related to public infrastructure projects, from identification to completion of works. Guatemala is the only country in the Americas that has joined the CoST Initiative, and the most recent member of the eight country group. The second Assurance Report covered the progress of 13 public sector projects. Initially, only 26.5% of these projects disclosed information, but following the requests of CoST this number increased to 74.9%.

On March 16, 2009, Iberdrola Energía, S.A. ("Iberdrola") initiated arbitration proceedings in the International Centre for Settlement of Investment Disputes ("ICSID") against the Republic, claiming damages of US$181 million due to failure of the *Comisión Nacional de Energía Eléctrica* (Power National Committee, or "CNEE") to carry out certain procedures in connection with electric power rates. In August of 2012 the court of arbitration ruled in favor of the Republic.

On November 22, 2012, the "Law Against Corruption" (Decree 31-2012) was published, which amends the Criminal Code, the Law Against Organized Crime Act and Forfeiture Law. This law defines and establishes penalties for criminal acts of corruption such as illicit enrichment, suspension and influence peddling.

Guatemala was selected by the Millennium Challenge Corporation as eligible for threshold assistance in fiscal 2013, because of the Guatemalan government´s series of reforms to improve the fight against corruption and strengthen the rule of law.

Guatemala has repeatedly requested the United Sates Temporary Protected Status ("TPS") for Guatemalan immigrants who are in an irregular immigration status in the United States. The first request was made on October 10, 2005 as a result of the damage caused by Hurricane Stan. In 2010, after the severe damage caused by the eruption of the Pacaya Volcano and Tropical Storm Agatha, the Government requested for the second time to grant TPS. The petition was again requested after the earthquake of November 7, 2012. Although there has been no response in 2012, we believe significant advances have been achieved in the process of approval of TPS. We expect that the efforts of the Ministry of Foreign Affairs will be redoubled to achieve approval of TPS in 2013.

The Government has found initial evidence that after storms in 2010 and 2011, including Storm Agatha, there were unspecified emergency-related expenses that weren't properly accounted for and verified. There is a possibility that such expenses may not have complied with the requirements for public expenditures in the Organic Budget Law or with yearly budget approval processes. Such expenditures cannot be estimated until the General Accounting Office and The Public Ministry conclude their verification processes. As part of the verification process, the Government is also attempting to determine whether there is any contractual liability related to such expenditures. While The Government of Guatemala is willing to take specific actions to satisfy any valid reimbursement claims that may arise in the future in respect of such expenditures, as of this date no legal claims have been made against the government for such reimbursement. As such, the Government is unable to estimate the amount of any potential future claims, if any.

The *Ministerio de Finanzas Públicas* –MinFin- (Ministry of Public Finance) designed and adopted a strategy to avoid entering into contracts without budget resources. Referred to as the "Evidence of Availability of Budget Resources," the state requires contractors to guarantee that the contracting authorities have the budgetary resources to meet their obligations. This is expected to improve transparency and budget expenditures, especially in infrastructure.

Guatemala took a substantial step in the financial and tax field since it was removed from the "gray list" of countries who were considered tax havens by the Organization for the Economic Cooperation and Development ("OECD"). In December 2012 Guatemala subscribed to the Multilateral Convention of Administrative Mutual Assistance in Tax Affairs, whereupon 39 agreements were added to the Tax Information Exchange, which we expect to attract more foreign investment. The approval by the Congress of the Republic of Guatemala of the full implementation of standards to access banking information by the *Superintendencia de Administración Tributaria* –SAT- (Superintendence of Tax Administration) is pending.

The Peace Program

In 1996, the Government reached a peace agreement (the "Peace Accord") with the country's internal revolutionary movement after 36 years of armed conflict. The Government's obligations under the Peace Accord form the foundation of the *Programa de Paz* (the "Peace Program"), which requires significant investments in human, economic and infrastructure development and significantly higher levels of public expenditures. In 1997, 25 countries and 22 international financial institutions, including, among others, the World Bank, the Inter-American Development Bank ("IDB"), and the International Monetary Fund ("IMF")—commonly referred to as the "Guatemala Consulting Group"—met in Brussels and in Guatemala to discuss financial assistance to the Republic.

The Framework Law of the Peace Accord, Decree No. 52-2005, aims to establish standards and mechanisms that regulate and guide the process of implementing the Peace Accord as part of the constitutional duties of the State to protect the individual and the family, the goal being the triumph of common good and the guarantee of life, liberty, justice, security, peace and integral development of each person. It also designates the State responsible for fulfilling the commitments pertaining to the Peace Accord. Furthermore, it creates the National Council for the Implementation of the Peace Accord, which is the body, composed of members appointed by the three state agencies, political parties and the people.

The Government plans to extend its commitment by incorporating the Peace Program's strategic objectives into its domestic policy, including strengthening the rule of law and promoting a stable social and political framework for peace, rural development, and intercultural development. In 2012 the Government budgeted US$4,172.0 million to Peace Program Expenditures.

Foreign Trade

Guatemala's foreign trade has been and continues to be characterized by exports of primary commodities (agricultural products) and some industrial goods (textiles, chemicals, etc.), and imports of raw materials, consumer goods, capital goods, and intermediate products. The main export products are subject to price fluctuations in international markets and to weather conditions, both internal and in other countries. In 2010 the eruption of the Pacaya Volcano, Tropical Storm Agatha, and heavy rainfalls affected the production of agricultural areas and the conditions of many roads. In 2011 the main export products (coffee, sugar, bananas, cardamom, and oil) accounted for about 41.4% of the total value of exports.

On May 28, 2004, Guatemala, together with the Central American countries of Costa Rica, El Salvador, Honduras and Nicaragua and the United States, signed the Central American Free Trade Agreement ("CAFTA"). Subsequently, the Dominican Republic joined the negotiations and signed the agreement on August 5, 2004, thus the agreement was renamed the "Dominican Republic-Central America Free Trade Agreement" or "DR-CAFTA." It became effective upon congressional approval by the participating countries. Guatemala's Congress ratified DR-CAFTA on March 10, 2005, and the treaty officially became effective between the United States and Guatemala on July 1, 2006.

In April 2008, the largest Trade Union Confederation of the United States outlined five cases of worker rights violations in Guatemala, alleging that articles 16.1.1, 16.2.1 and 16.3.1 of the DR-CAFTA were violated. In June 2012, Guatemala and the United States reached a settlement in order to prevent arbitration proceedings pursuant to which, the United States Government granted a grace period during which Guatemala is expected to implement regulations to encourage compliance with the DR-CAFTA.

A reduction of the trade deficit during 2009 was due mainly to the sharp decline in the value of imports (-20.7%), which was higher than the reduction in exports (-7.0%). This significant decline in foreign trade was the result of the global economic crisis. In contrast, the global economic recovery and the increase in world trade -which began in 2010- led to an increase of 17.0% exports and 20.3% imports, which continued in 2011 (with increases of 23.2% and 20.9%, respectively). In 2012 imports increased in 2.0% and exports decreased in 3.5%.

An important aspect of Guatemala's foreign trade from 2006-2011 was the execution of trade agreements with other nations, including Taiwan (effective July 1, 2006), the United States (effective July 1, 2006), Chile (effective March 23, 2010), Panama (effective June 20, 2009), Colombia (effective November 12, 2009), Mexico (effective September 2012). Guatemala has also reached trade agreements with the European Union (signed on June 29 2012), with Peru (signed on December 6, 2011), with Ecuador and with Mexico, which are subject to final approval by the Guatemalan legislature.

Monetary Policy

The Guatemalan Political Constitution provides for the *Junta Monetaria* (Monetary Board), established in 1946, to determine the monetary, foreign exchange and credit policies of the Republic. The Monetary Board also oversees the liquidity and solvency of the national banking system, seeking to assure the stability and strength of national savings and pursue monetary stability through the Bank of Guatemala. The Bank of Guatemala operates as an autonomous financial institution governed by the Monetary Board. The Constitution prohibits the Bank of Guatemala from directly or indirectly financing, or to act as guarantor or provide surety to, the Government or public or private entities other than regulated financial institutions.

Since 2005, Guatemala´s monetary policy has included an inflation targeting regime, which is based on the choice of an inflation rate target as the nominal anchor for policy, a flexible exchange rate regime, the use of indirect monetary control instruments (monetary stabilization operations), and the strengthening of transparency in the proceedings of the Bank of Guatemala.

Guatemala's inflation rate has been relatively stable over the last five years: 9.4% in 2008, -0.3% in 2009, 5.4% in 2010, 6.2% in 2011, and 3.5% in 2012. For 2013, a medium-term inflation target (continuous target) was set at 4.0% +/- 1%.

As of December 31, 2012, the monetary stabilization operations of the Bank of Guatemala (fixed-term deposits at the central bank) registered Q20,117.4 million (approximately US$2,545.8 million, or 5.1% of GDP). The Bank of Guatemala currently has no outstanding external indebtedness.

Exchange Rate Policy

Although in a flexible exchange rate regime the nominal exchange rate is determined by the interaction between supply and demand of foreign exchange, we believe a central bank's intervention in the foreign exchange market is warranted in some circumstances, such as when such intervention is aimed at moderating exchange rate volatility without affecting its general trend. The intervention of the Bank of Guatemala in the foreign exchange market is triggered by a transparent, quantitative rule aimed toward moderating excessive volatility without affecting the nominal exchange rate's trend. During 2009 the nominal exchange rate depreciated by 7.3%, while in 2010 and 2011 the rate appreciated by 4.1% and 2.5%, respectively. In 2012 the nominal exchange rate depreciated by 1.2%.

Fiscal Policy

The Government had relatively small fiscal deficits from 1999 through 2008. In 2010 and 2011, the Government recorded a deficit of 3.3% and 2.8% of GDP, respectively, compared to a deficit of 1.4% of GDP in 2007, according to the *Dirección de Análisis Financiero* (Department of Financial Analysis, or "DAF"), due primarily to the global economic crisis and extraordinary expenditures incurred in connection with the occurrence of natural disasters (from the Pacaya Volcano and Tropical Storm Agatha).

As part of its Fiscal Pact for Change, the Government has begun to adopt tax policies, focusing on the creation of appropriate conditions for carrying out the Government Plan 2012-2015, within a policy framework that seeks to maintain macroeconomic stability and fiscal sustainability in the medium and long term. According to preliminary data, the Government deficit for 2012 was 2.4% of GDP, 0.2% lower than in previous years and lower than that forecast in the approved budget for 2012 (2.6% of GDP). The 2013 budget will face challenges due to unanticipated expenses caused by the earthquake of November 7, 2012, nevertheless, a deficit of 2.5% of GDP is projected.

The goal of the tax policy related to the Fiscal Pact for Change includes the generation of sufficient resources to finance the programs embodied in the Change Agenda, namely reducing poverty and hunger, fostering security, justice and developing stable economic growth efficiently.

The Fiscal Pact for Change will aim to:

- enhance transparency and improve cost management;
- strengthen the coordination between the Ministry of Finance and other public institutions;
- implement reforms in a wide range of areas, including laws governing the executive branch, the budget, public employees, civil service, and public contract administration, among others;
- create a new secretary for Control and Transparency charged with control and management of enhanced public access to public information; and
- combat tax evasion through several initiatives, including the implementation of a new tax evasion law and adoption of performance-appraisal for tax service employees.

For additional details regarding the Fiscal Pact for Change see "Public Sector Finances-Fiscal Pact for Change."

Public Sector Debt

The public debt management is part of the Public Credit Policy, which seeks to satisfy the needs of financing at a coherent cost and at a prudent level of risk to contribute to the maintenance of public debt.

For December 31, 2012:

- the Republic's public sector external debt was 62.1% of total exports (FOB);
- the Republic's public sector external debt service was 5.4% of total exports (FOB);
- the Republic's public sector external and internal debt was 24.7% of GDP; and
- the Republic's public sector external debt consisted of US$4,662.0 million in debt to multilateral agencies, US$312.9 million in debt to foreign governments and bilateral organizations, US$300.0 million aggregate principal amount of 9 1⁄4% Notes due 2013, US$700.0 million 5 ¾% and Notes due 2022, US$330.0 million aggregate principal amount of 8 1⁄8% Notes due 2034 held by investors.

The largest single creditor of the Guatemalan public sector is the IDB, which held US$2,217.1 million in public sector debt as of December 31, 2012.

Selected Economic Information
(In millions of US$[1] or Q, except as otherwise indicated)

	2006	2007	2008	2009	2010[2]	2011[2]	2012[2]
Domestic Economy:							
Nominal GDP	US$30,231.2	US$34,110.9	US$39,143.0	US$37,722.0	US$41,349.9	US$46,992.2	US$49,895.9
Nominal GDP	Q229,836.1	Q261,760.1	Q295,871.5	Q307,966.6	Q333,112.3	Q365,760.2	Q390,739.5
Real GDP	Q175,691.2	Q186,766.9	Q192,894.9	Q193,909.6	Q199,552.3	Q207,832.5	Q213,996.1
Real GDP growth rate[3]	5.4%	6.3%	3.3%	0.5%	2.9%	4.1%	3.0%
Inflation rate[4]	5.8%	8.8%	9.4%	(0.3%)	5.4%	6.2%	3.5%
Open unemployment rate [5]	N/A(*)	2.5%	N/A(*)	N/A(*)	3.5%	4.0%	2.7%
Exchange rate (Q per US$1.00):[6]							
Average daily exchange rate for the year	Q7.60260	Q7.67379	Q7.55874	Q8.16412	Q8.05593	Q7.78343	Q7.83110
Year end	Q7.59615	Q7.63101	Q7.78159	Q8.34950	Q8.01144	Q7.80808	Q7.90230
Balance of Payments:							
Total current account	US$(1,524.1)	US$(1,785.9)	US$(1,680.3)	US$7.5	US$(626.0)	US$(1,455.6)	US$(1,740.1)
Of which:							
Trade balance	US$(4,852.3)	US$(5,487.1)	US$(5,574.7)	US$(3,348.2)	US$(4,270.9)	US$(4,964.4)	US$(5,630.1)
Services balance	US$(259.6)	US$(310.0)	US$(276.1)	US$(158.8)	US$(89.6)	US$(145.5)	US$(86.7)
Rent (net)	US$(680.4)	US$(842.7)	US$(937.6)	US$(1,111.1)	US$(1,211.2)	US$(1,553.1)	US$(1,683.9)
Current transfers	US$4,268.2	US$4,853.9	US$5,108.1	US$4,625.6	US$4,945.7	US$5,207.4	US$5,660.6
Of which:							
Remittances	US$3,645.3	US$4,200.0	US$4,403.3	US$3,951.3	US$4,147.0	US$4,396.0	US$4,800.4
Foreign aid	US$625.9	US$658.3	US$602.9	US$568.4	US$695.2	US$687.8	US$729.1
Total capital and financial account	US$1,343.5	US$1,613.9	US$1,465.4	US$205.7	US$1,586.5	US$2,004.5	US$2,533.1
Of which:							
Private sector, net	US$876.6	US$1,381.6	US$1,346.8	US$(589.3)	US$972.7	US$1,967.0	US$1,791.0
Change in reserve assets [7][8]	US$252.0	US$216.3	US$332.7	US$472.8	US$676.9	US$205.9	US$500.6
Bank of Guatemala net international reserves at end of period	US$4,061.1	US$4,320.3	US$4,658.8	US$5,212.6	US$5,953.8	US$6,187.9	US$6,693.8
Public Sector Finance:[1]							
Government revenue	US$3,847.4	US$4,379.9	US$4,706.9	US$4,169.1	US$4,645.7	US$5,544.3	US$5,878.8
As a % of nominal GDP	12.7%	12.8%	12.0%	11.1%	11.2%	11.8%	11.7%
Government expenditures	US$4,435.5	US$4,871.4	US$5,338.9	US$5,353.8	US$6,006.2	US$6,875.0	US$7,107.6
As a % of nominal GDP	14.7%	14.3%	13.6%	14.2%	14.5%	14.6%	14.2%
Government deficit	US$(588.1)	US$(491.5)	US$(632.0)	US$(1,184.7)	US$(1,360.5)	US$(1,330.6)	US$(1,228.9)
As a % of nominal GDP[2]	(1.9)%	(1.4)%	(1.6)%	(3.1)%	(3.3)%	(2.8)%	(2.4)%
Consolidated public sector surplus/(deficit) As a % of nominal GDP[9]	(1.4)	(0.2)	(0.5)	(2.9)	(3.0)	(2.7)	N/A
Public Sector Debt:							
External debt[10]	US$3,958.2	US$4,225.9	US$4,382.4	US$4,927.6	US$5,562.0	US$5,604.9	US$6,304.9
As a % of nominal GDP	13.1%	12.4%	11.2%	13.1%	13.5%	11.9%	12.6%
Internal debt[11][12]	US$2,647.6	US$3,164.5	US$3,363.5	US$3,679.1	US$4,592.7	US$5,766.6	US$5,965.2
Internal debt in Quetzals[12]	Q15,980.0	Q20,459.4	Q23,534.1	Q28,301.7	Q33,389.6	Q39,893.1	Q40701.4
As a % of nominal GDP	7.0%	7.8%	8.0%	9.2%	10.1%	10.9%	10.4%
Internal debt in US$[12]	US$543.9	US$483.4	US$339.2	US$289.5	US$425.0	US$657.4	US$814.6
As a % of nominal GDP	1.8%	1.4%	0.9%	0.8%	1.0%	1.4%	1.6%
Total debt[13]	US$6,605.8	US$7,390.4	US$7,745.9	US$8,606.7	US$10,154.7	US$11,371.5	US$12,270.1
As a % of nominal GDP	21.8%	21.6%	20.0%	23.0%	24.6%	24.2%	24.7%
Public Sector External Debt Service:							
Amortization[14]	US$206.9	US$204.9	US$253.1	US$264.0	US$254.6	US$270.6	US$275.1
Interest payments	US$220.8	US$269.7	US$243.3	US$244.9	US$270.4	US$272.5	US$269.9
Total external debt service	US$427.7	US$474.6	US$496.4	US$508.9	US$525.0	US$543.1	US$545.0
As a % of total exports (FOB)	7.0%	6.8%	6.3%	7.0%	6.2%	5.2%	5.4%

(1) Translated from Q to US$ at the average daily exchange rate for the year, except for the conversion of internal debt, which was translated from Q to US$ at year end.
(2) Preliminary data, provided by the Bank of Guatemala and the Ministry of Public Finance.
(3) Percentage changes from previous year based on *quetzals*.
(4) Percentage change of the consumer price index from year to year.
(5) Rate of unemployed persons as a percentage of the economically active population. When calculating the rate of unemployed persons, employed persons were those engaged in both formal and informal employment, such as unregistered workers.
(6) Exchange rates for transactions in the market involving purchase of dollars by Guatemalan banks as reported by the Bank of Guatemala.
(7) Represents the results of the balance of payments.
(8) Does not include price changes.
(9) Percentages are based on estimates provided to the Republic by the International Monetary Fund ("IMF").
(10) External debt is defined as all public sector foreign currency denominated debt, held by any person, other than Guatemalan residents.
(11) Translated from Q to US$ at the daily official exchange rate at the end of each year.
(12) Excludes intra governmental debt. The Government has no legal or other obligations to repay debt of the Bank of Guatemala and therefore amounts do not include debt of the Bank of Guatemala.
(13) Total debt is the sum of internal and external liabilities of the Central Government and explicit guarantees provided to the other entities of the public sector.
(14) Excludes amounts refinanced.
(*) INE did not compile employment information in 2006, 2008 and 2009.
N/A = Not available.
Source: Bank of Guatemala, National Institute of Statistics, Ministry of Public Finance and IMF.

The Offering

Issuer	The Republic of Guatemala.
Issue Amount	US$700,000,000 aggregate principal amount.
Issue Price	98.692% of the principal amount of the Notes, plus accrued interest, if any, from February 13, 2013.
Issue Date	February 13, 2013.
Maturity Date	February 13, 2028.
Interest Rate	4.875% per annum.
Interest Payment Dates	February 13 and August 13 of each year, commencing August 13, 2013.
Withholding Tax and Additional Amounts	Principal and interest on the Notes are payable by the Republic without withholding or deduction for any taxes imposed by the Republic to the extent described herein. In the event that the Republic is required by law to deduct or withhold taxes, duties, fines, penalties, assessments or other governmental charges, the Republic will pay Additional Amounts (as described herein) as necessary to enable holders of Notes to receive such amounts after such deduction or withholding as they would have received absent such deduction or withholding, subject to certain exceptions. See "Description of the Notes—Additional Amounts" and "Taxation."
Ranking	The Notes will constitute general, direct, unconditional, unsubordinated and unsecured Indebtedness (as described herein) of the Republic and will rank at least equally among themselves and with all other present and future unsubordinated and unsecured External Indebtedness (as descried herein) of the Republic. See "Description of the Notes—Ranking" and "—Certain Definitions."
Form and Denominations	The Republic will issue the Notes in the form of one or more global notes, without coupons, registered in the name of a nominee of The Depositary Trust Company, as depositary, for the accounts of its participants (including, direct and indirect, Euroclear and Clearstream, Luxembourg). Notes in definitive certificated form will not be issued in exchange for the global notes except under limited circumstances. See "Description of the Notes—Form, Denomination and Title" and "Book-Entry Settlement and Clearance."
Denominations	Each Note will be issued in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.
Negative Pledge and Certain Covenants	The Description of the Notes contains certain covenants and restrictions on the creation or subsistence of any Lien (as defined herein) securing Public External Indebtedness, with certain exceptions. See "Description of the Notes—Covenants" and "—Certain Definitions."
Events of Default	The Notes will contain events of default, the occurrence of which may result in the acceleration of the Republic's obligations under the Notes prior to maturity. See "Description of the Notes—Events of Default."
Transfer Restrictions	The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Notes will be subject to restrictions on transfer. See "Transfer Restrictions."
Use of Proceeds	The Republic will use the net proceeds of approximately US$690,349,637 from the sale of the Notes (after deducting expenses of the offering) to pay interest and principal on its outstanding debt obligations and the remainder to finance social and investment programs and capital expenditures.
Collective Action Clauses	The Notes will contain provisions, commonly known as "collective action clauses", regarding acceleration and voting on future amendments, modifications and waivers that differ from those applicable to the Republic's outstanding Public External Indebtedness. Under these provisions, which are described in the sections entitled "Description of the Notes—Collective Action Securities, Modifications, Amendments and Waivers" and "—Events of Default," the Republic may amend the payment provisions of the Notes and certain other terms with the consent of the holders of 75% of the aggregate amount of the outstanding Notes.
Further Issues	The Republic may from time to time, without the consent of the holders the Notes, create and issue further Notes having the same terms and conditions as the Notes in all respects, except for the issue date, the issue price and first payment of interest thereon. Additional Notes issued in this manner will be consolidated with and will form a single issue with the Notes; provided that, if any additional Notes subsequently issued are not fungible for U.S. federal income tax purposes with any Notes previously issued, such additional Notes shall trade separately from such previously issued Notes under a separate CUSIP number but shall otherwise be treated as a single class with all other previously issued Notes.
Listing	Application will be made to list the Notes on the Luxembourg Stock Exchange and to have the Notes admitted to the trading on the Euro MTF Market.
Governing Law	The Fiscal Agency Agreement and the Notes shall be governed by, and interpreted in accordance with, the laws of the State of New York, United States of America, except that the due authorization and execution of the Notes by the Republic will be governed by the laws of the Republic of Guatemala.
Fiscal Agent, Registrar, Transfer Agent and Principal Paying Agent	The Bank of New York Mellon
Luxembourg Transfer Agent and Paying Agent	The Bank of New York Mellon (Luxembourg) S.A.
Luxembourg Listing Agent	The Bank of New York Mellon (Luxembourg) S.A.

USE OF PROCEEDS

The net proceeds from the sale of the Notes will be approximately US$690,349,637 million (after deducting expenses of the offering). The Republic intends to use the net proceeds from the sale of the Notes to pay interest and principal on its outstanding debt obligations and the remainder to finance social and investment programs and capital expenditures.

Any amounts not spent as described above will be deposited with the Bank of Guatemala to be used in connection with the 2013 budget, approved by Congress in November 2012.

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. Guatemala disclaims any responsibility for advising you on these matters.

Risk Factors Relating to the Notes

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

Guatemala has been advised by the Sole Lead Manager that it intends to make a market in the Notes but is not obligated to do so and may discontinue market making at any time without notice. Application will be made to list the Notes on 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 permit Guatemala to amend the payment terms without the consent of all holders.

The Notes will contain provisions, commonly known as "collective action clauses," regarding acceleration and voting on future amendments, modifications and waivers that differ from those applicable to certain of the Republic of Guatemala's outstanding Public External Indebtedness (as defined herein). Under these provisions, which are described in the sections entitled "Description of the Notes—Events of Default" and "—Collective Action Securities, Modifications, Amendments and Waivers," the Republic of Guatemala may amend the payment provisions of the Notes and certain other terms with the consent of the holders of 75% of the aggregate amount of the outstanding Notes.

There is no established trading market for the Notes, and the price at which the Notes will trade in the secondary market is uncertain.

The Notes will be a new issue of securities with no established trading market. We do not know the extent to which investor interest will lead to the development of an active trading market for the Notes or how liquid that market may become. If the Notes are traded after their initial issuance, they may trade at a price lower than their principal amount, depending upon prevailing interest rates, the market for similar securities and general economic conditions in Guatemala and elsewhere.

We have submitted an application to list the Notes on the Euro MTF Market of the Luxembourg Stock Exchange. We cannot assure you that a trading market for the Notes will develop or that the price at which the Notes will trade in the secondary market will be sustainable. If an active market for the Notes fails to develop or continue, this failure could harm the trading price of the Notes.

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. See "Transfer Restrictions."

The Republic's credit ratings may not reflect all risks of investment in the Notes.

The Republic's credit ratings are an assessment by rating agencies of the Republic's ability to pay its debts when due. Consequently, real or anticipated changes in the Republic'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 the structure or marketing of the Notes. Agency 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.

Risk Factors Relating to Guatemala

Guatemala is a foreign sovereign state and accordingly it may be difficult to obtain or enforce judgments against it.

Guatemala is a foreign sovereign state. As a result, it may be difficult or impossible for investors to obtain or enforce judgments against Guatemala whether in an investor's own jurisdiction or elsewhere. See "Enforcement of Civil Liabilities."

Certain economic risks are inherent in any investment in an emerging market country such as Guatemala.

Investing in an emerging market country such as Guatemala carries economic risks. These risks include many different factors that may affect Guatemala's economic results, including the following:

- interest rates in the United States and financial markets outside Guatemala;
- changes in economic or tax policies;
- the imposition of trade barriers;
- changes in general economic, business or political or other conditions in Guatemala, Latin America or global markets;
- changes in capital markets in general that may affect policies or attitudes towards investing in Guatemala;
- the ability of Guatemala to effect key economic reforms;
- high levels of inflation or deflation;
- 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 Guatemala.

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" in this offering circular.

Guatemala's economy remains vulnerable to external shocks, including the current global economic conditions and those that could be caused by future significant economic difficulties of its major regional trading partners or by more general "contagion" effects, which could have a material adverse effect on Guatemala's economic growth and its ability to service its public debt.

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.

A significant decline in the economic growth of any of Guatemala's major trading partners could adversely affect Guatemala'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, Guatemala could be adversely affected by negative economic or financial developments in other emerging market countries.

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 Guatemala. In addition, there can be no assurance that these events will not adversely affect Guatemala's economy or its ability to raise capital in the external debt markets in the future.

Guatemala is affected by political, social, security and other problems.

Guatemala is a developing country that is affected by political, social, security and other problems and conditions, including, among others, trafficking in drugs, alien smuggling, organized crime, high crime rates, human rights concerns, and a need to implement political, economic and social reforms.

While the current administration intends to devote resources and efforts to combat these political, social, security and other problems, no assurance can be given, however, that these problems and conditions will be

successfully remedied.

REPUBLIC OF GUATEMALA

Territory and Population

Guatemala is a Central American republic located immediately south of Mexico and covers a territory of 42,042 square miles (108,889 square kilometers). Guatemala is divided into 22 departments. The country's lowlands are comprised of two northern regions, the Petén and the Atlantic littoral, and one southern region, a narrow and fertile Pacific coastal plain stretching the southern length of the country. The Central Highlands comprise approximately half of the total land area and cut across the midsection of the country, with mountain ranges from southeast to northwest. The Pacific side of the Central Highlands includes a range of volcanoes and has experienced major earthquakes throughout the history of the country.

While Guatemala is located in a tropical region, temperate seas and the country's irregular terrain create a diversity of climates, ranging from temperate in the highlands to more tropical on the coasts. There is a dry season from November to April. The location of Guatemala puts it in the path of some of the hurricanes that sweep the Caribbean. Hurricane Mitch struck Guatemala in 1998 and caused major economic and human damage, followed by Hurricane Stan in 2005. In May 2010, Tropical Storm Agatha and the eruption of the Pacaya Volcano, followed by Tropical Depression 12E in 2011 caused serious damage to the road infrastructure and crops, particularly corn. Furthermore, in November 2012 an earthquake struck Guatemala causing damages to infrastructure and inflicting casualties, especially in the territorial divisions of San Marcos, Retalhuleu, Suchitepéquez, Quetzaltenango, Sololá, Totonicapán and Quiché. The occurrence of natural disasters, or the threat of such occurrences, could adversely affect Guatemala. Most individuals and businesses in Guatemala are not insured against such occurrences. However, despite the effect of these natural disasters, the Guatemalan economy has continued to grow.

Guatemala's population is approximately 15.1 million people, approximately 51.0% of whom live in rural areas, and the rest in urban areas. The Department of Guatemala has approximately 3.2 million inhabitants and the capital, Guatemala City, has approximately 1 million inhabitants, according to the INE. Other large cities include Quetzaltenango, Escuintla and Cobán. Since 2005, the population of Guatemala has grown at an average annual rate of approximately 2.5%. The country's main harbors are Puerto Barrios and Puerto Santo Tomás de Castilla on the Atlantic Ocean, and Puerto Quetzal on the Pacific Ocean. The country has two international airports, *La Aurora* located in Guatemala City, the capital of Guatemala and *Mundo Maya* located in the territorial division of Flores, Petén.

The net enrollment rate for 2010 was recorded as follows: for every 100 children in pre-school (5 and 6 years old), elementary school (7 and 12 years old), junior high school (13 and 15 years old) and high school (16 and 18 years of age), the following were present: 55%, 96%, 43% and 22% respectively.

In 2011, Guatemala's adult literacy rate as calculated by the *Ministerio de Educación* (Ministry of Education) was approximately 82.5%. In 2012, the educational system consisted of approximately 18,823 elementary school education institutions (ages 6-13), of which approximately 16,112 were public, and 7,182 junior high school education institutions (ages 14-17), of which 4,102 were private. Guatemala's Constitution provides for compulsory education for all children up to the sixth grade. In 2012, approximately 2.6 million students were enrolled in elementary school, while enrollment in junior high school was approximately 746,516 students.

In the period of 2007-2012, the country has seen an increase in the enrollment at all educational levels. In accordance with the Millennium Development Objectives, educational policy has given priority to expanding school coverage equally, which has allowed a greater amount of children join the school system. Ministry of Education preliminary data reported that in 2012, the government granted educational services to 3,695,873 children and young people in pre-school, elementary school, junior high school and high school. Educational coverage for the years 2007-2012 has increased by approximately 400,000 students. Additionally, as part of the Peace Accord, the Millennium Development Objectives together with the educational policy, have given priority to enhancing literacy programs in order to reduce illiteracy in the young and adult populations, specifically women in the rural and peri-urban areas. The *Comité Nacional de Alfabetización* (National Literacy Committee, or "Conalfa") stated in 2007 the illiteracy rate reached 22.41% and in 2011 decreased by 17% as a result of expanding school coverage in elementary school and the strengthening of the literacy and post-literacy programs.

Guatemala has one public university, the *Universidad de San Carlos de Guatemala* (University of San Carlos), which has a central campus in Guatemala City and 22 smaller campuses in the main provincial capitals. Guatemala also has eleven private universities, two of which were founded in the last five years. In 2010, approximately 266,600 students were enrolled in Guatemala's twelve universities.

A majority of Guatemala's population is of Mayan descent and lives mainly in the highlands of the western and northern regions of the country; a large portion of this population speaks any of 22 Mayan languages. Many of these languages are spoken by as few as 1,000 people, while one of the languages is spoken by over one million people. Most of the remainder of the population is *ladino*, a group that consists mostly of people with mixed indigenous and European backgrounds. *Ladinos* represent a majority of the population in Guatemala City. Spanish is the official language of Guatemala, but approximately 31.1% of the population speaks Mayan languages. As part of the Peace Accord, the Government initiated bilingual education in both Spanish and certain Mayan languages, and implemented other measures to provide government documents and materials in the most widely spoken Mayan languages.

According to the World Bank, Guatemala's economy is the largest in Central America, constituting roughly one-third of the region's GDP. Guatemala is classified by the World Bank as a lower middle income developing country.

History

Beginning with simple farming villages dating back to 2500 B.C., the Maya of Guatemala and the Yucatan peninsula developed an advanced civilization that continues to influence Guatemalan culture today. The Maya civilization reached its highest level of development, with major achievements in art, mathematics and astronomy, between 250 A.D. and 900 A.D.

The Spanish *conquistadores*, led by Pedro de Alvarado, arrived in Guatemala in 1523 and began colonizing the region soon thereafter. Under Spanish rule, the Guatemalan cities of Ciudad Vieja and La Antigua Guatemala successively served as the capital of the Captaincy General of Guatemala, which covered most of Central America.

Guatemala gained independence from Spain in 1821, briefly becoming a part of the Mexican Empire. After independence from Mexico in 1823, Guatemala formed part of the United Provinces of Central America, a federation of Central American republics that lasted for two decades. From 1838 until the 1920s, Guatemala was governed by a series of autocratic leaders, including Rafael Carrera, Justo Rufino Barrios and Manuel Estrada Cabrera. A decade of limited political democratization occurred in the 1920s. Between 1931 and 1944, during the administration of General Jorge Ubico, the military increased in size and importance. After a popular revolution in 1944, a civilian President, Juan José Arévalo, implemented a series of reforms, relating in particular to land, education and labor. His elected successor, Colonel Jacobo Arbenz Guzmán, attempted to extend this reform process, but was overthrown in 1954 in a non-violent military coup led by Colonel Carlos Castillo Armas and supported by foreign governments. Between 1954 and 1960, both Colonel Castillo Armas and his successor, General Miguel Ydígoras Fuentes, reversed many of the reforms initiated by the Arévalo and Arbenz administrations.

In response to these changes and General Ydígoras' increasingly autocratic rule, a group of junior military officers attempted to overthrow the Government in 1960. When the coup failed, some of these officers began an armed insurrection. Fostered by discrimination against indigenous peoples, exclusion of certain groups from the political process, disenfranchisement of the poor and international geo-political interests related to the Cold War, this armed conflict continued for 36 years. Three principal guerrilla groups conducted economic sabotage and targeted Government installations and members of the Government security forces in armed attacks during this period. These three organizations combined to form the *Unidad Revolucionaria Nacional Guatemalteca*, the Guatemalan National Revolutionary Unit, or "URNG." The military continued to control or heavily influence Guatemalan politics and Government throughout the 1970s and early 1980s. In 1982, a military coup brought General Efraín Ríos Montt to power. Under General Ríos Montt's regime, the counterinsurgency campaign intensified.

Military rule began to ease in 1985 under General Oscar Mejía Victores, who succeeded General Ríos Montt. Electoral laws were enacted and congressional elections scheduled. On May 31, 1985, after nine months of debate, a new constitution was adopted, general elections were held and Vinicio Cerezo, the presidential candidate of the *Democracia Cristiana Guatemalteca*, the Guatemalan Christian Democracy party, or "DCG," won the presidency with approximately 70% of the vote. President Cerezo took office in January 1986. The new constitution provided for many reforms, including new laws of habeas corpus, the creation of a legislative human rights committee, the establishment of the office of the Human Rights Ombudsman and the establishment of the Constitutional Court. President Cerezo's administration created the National Reconciliation Commission to initiate a peace dialogue with Guatemala's revolutionary groups. In addition, the Supreme Court embarked on a series of reforms to fight corruption and improve the efficiency of the legal system.

Presidential and congressional elections were held on November 11, 1990, and Jorge Serrano Elías was inaugurated as President on January 14, 1991, marking the country's first peaceful transfer of power since independence. During the Serrano administration, inflation rates decreased and the economy began to improve. On May 25, 1993, President Serrano dissolved Congress and the Supreme Court and attempted to restrict civil rights, allegedly to fight corruption. This coup, however, failed as a result of strong opposition from all sectors of Guatemalan society, international pressure, and the army's enforcement of the decisions of the Constitutional Court. The Constitutional Court, whose decisions take precedence over the Supreme Court on issues relating to the Constitution, held the coup to be unconstitutional. The failed coup led to the demise of the Serrano administration.

On June 5, 1993, Congress, pursuant to the 1985 Constitution, appointed Ramiro de León Carpio, who had been the Human Rights Ombudsman, to complete Serrano's presidential term. President de León launched an ambitious anti-corruption campaign demanding the resignation of all members of Congress and the Supreme Court. Presidential and popular pressure led to a November 1993 agreement between the President and Congress to reform the Constitution. Among the proposed constitutional reforms was a reduction in the legislative and presidential terms of office from five years to four. The ensuing constitutional reforms were approved by popular referendum on January 30, 1994, and President de León served out his appointed term. Under President de León, the Peace Accord negotiations, now being brokered by the United Nations, proceeded with new vigor. The Government and URNG signed a number of agreements described below under "—The Peace Program," but the de León administration failed to implement lasting social and human rights improvements. In August 1994, a new Congress was elected, and the *Frente Republicano Guatemalteco* ("FRG"), headed by General Ríos Montt, and *Partido de Avanzada Nacional* ("PAN"), led by the former mayor of Guatemala City, Álvaro Arzú Irigoyen, emerged as the leading political parties. A Constitutional Court ruling in mid-1995 held that FRG's presidential candidate General Ríos Montt, who had previously held office from 1982 to 1983, was ineligible to run for president.

In presidential, congressional and municipal elections held in two rounds in November 1995 and January 1996, nearly 20 parties participated. The presidential election led to a run-off in which Álvaro Arzú Irigoyen of PAN narrowly defeated Alfonso Portillo Cabrera of FRG. The presidential candidate of the newly formed *Frente Democrático Nueva Guatemala*, the New Guatemala Democratic Front, or "FDNG," the first legally-recognized party of the left to participate in elections in 40 years, won approximately 8% of the vote, and six FDNG deputies, including several internationally recognized human rights activists, were elected to Congress. PAN won 42 of the 80 seats in Congress and leadership of one-third of the municipal governments. FRG won 20 seats to become the principal opposition party. DCG and the *Unión del Centro Nacional* (Central National Union) had seven deputies between them.

President Arzú's administration, which came to office on January 14, 1996, prioritized resolution of the armed conflict and, in a move to advance the peace process, met with guerrilla leaders.

In December 1996, the Government reached the Peace Accord, ending 36 years of armed conflict. The armed confrontation left more than 150,000 casualties, particularly among the rural poor. The confrontation had also hampered development, particularly in rural areas. The period of most intense hostilities was 1980 through 1985, which coincided with a period of economic stagnation and recession.

Once the Peace Accord was signed in December 1996, the Government called the international community to a meeting in Brussels in January 1997 to request financial assistance in order to fulfill the obligations of the Peace Accord. Twenty-five countries and 22 international financial institutions, including among others the World Bank, the IDB and the IMF, constituting the Guatemala Consulting Group, attended the meeting and pledged US$1,900 million in direct aid and loans to support the Peace Accord. In September 1997, a second meeting of the Guatemala Consulting Group resulted in an additional US$400 million in direct aid and loans. On October 23, 1998, at the third meeting of the Guatemala Consulting Group in Brussels, 21 countries and 20 international financial institutions ratified their support for the Peace Accord.

In September 2007, Guatemala held presidential, congressional and municipal elections followed by a run-off presidential election on November 4, 2007, in which Álvaro Colom of UNE defeated Otto Pérez Molina of PP with 52.8% of the vote.

Important goals of the Colom administration included: continued liberalization of the economy; strengthening and modernizing the financial services sector; maintaining the public deficit at relatively stable levels; maintaining a relatively stable rate of inflation; implementation of budgeting focused on multi-annual results; a government procurement system implementation through internet; continued implementation of the Peace Accord, and putting into force the Framework Law of the Peace Agreements; maintaining negotiations in the international court for resolution of the territorial dispute with Belize; social investment prioritization, addressing ongoing problems associated with poverty through the creation of employment opportunities, the provision of social services and the improvement of infrastructure in the poorest rural areas; increasing investment in infrastructure, particularly in the communications sector. As a result of these initiatives, in 2011 tax revenues increased by 19.3%, equal to US$835.6 million compared to US$5,157.6 million in 2010. Social spending in education, science and culture, health, welfare and housing sectors had the largest increase during this administration and represented 39% (2010) of total expenditures.

Elections in Guatemala for a four year presidential term were held on September 11, 2011. None of the candidates secured a 50% majority of the popular vote and a run-off election was held on November 6, 2011, in which Otto Pérez Molina of PP was elected President. Pérez had a 53.7% share of the vote, followed by the presidential candidate of LIDER, Manuel Baldizón, who had a 46.3% share.

During March 2012, representatives from the IMF visited Guatemala and met with high-ranking public officials, including the president of the Central Bank and the Minister of Finance, the legislature and representatives from the private sector to review Guatemala's economic policies and macroeconomic outlook. Following the IMF visit, a press release highlighted comments by Mr. Lopez-Mejia, head of IMF's mission in Guatemala, which recognized the positive economic progress taking place in Guatemala, including economic growth rate of 4% in 2011, realization of inflation targets commencing in 2012, and improving international reserves of almost U.S.$5.7 billion at the end of 2011. Mr. Lopez-Mejia also recognized that the economic outlook in the short-term is generally positive; while the growth rate for 2012 is expected to slow down to 3%, lower inflation is expected and the country's international reserves are likely to remain at adequate levels. Mr. Lopez-Mejia also emphasized that the country's outlook is tied to worldwide economic conditions affecting global growth and demand for raw materials. Mr. Lopez-Mejia indicated that the challenge for Guatemala is to maintain conservative fiscal policies focused on controlling public expenditures, lowering the public deficit to 2.4% of GDP in 2012 and the resolution of pending cost contingencies from prior years. Finally, Mr. Lopez-Mejia commented that the principal long-term challenges for the government include the resolution of social ills such as poverty and strengthening public institutions with a view to improve fiscal oversight and tax compliance as key areas for continued growth.

Government Program for Change – Change Agenda

The Government has announced a broad-based program called *Agenda del Cambio* (the "Change Agenda") that sets forth the government's priorities according to five organizing principles or axes: (1) democratic security and justice; (2) competitive economic development; (3) productive social infrastructure and development; (4) social inclusion; and (5) sustainable rural development. The implementation of the Change Agenda will be effected through the adoption of specific programs for the provision of goods and services embodied in three accords or pacts: the Zero Hunger Pact; the Pact for Security, Justice and Peace; and the Fiscal Pact for Change.

1. Democratic Security and Justice

The Government recognizes that many Guatemalans lack personal security and suffer a high rate of violence from assailants, extortionists or kidnappers. Organized criminal enterprises involved in drug-trafficking also impair, through their illegal activities, including human trafficking, arms smuggling and violence, the ability of the Government to comply with its duties to ensure safety and security for its people. The justice system currently lacks the resources necessary to abate the tide of violence confronting the country.

The Change Agenda aims to strengthen the rule of law by establishing a competent police presence throughout the national territory that also respects established indigenous authorities. The Government also aims to neutralize organized crime by improving border security, criminal intelligence and interdiction throughout land, air and sea. To this end, the Government plans to improve international cooperation with neighboring countries, develop special forces and police units of the military, make investments in intelligence-gathering and tracking technology. Other governmental actions will include parental and sexual education programs, neighborhood watch programs and increased investment in corrections facilities and police resources, including the implementation of a command and control center to effect greater inter-agency and community coordination.

The country's judiciary also currently lacks the necessary resources to adequately execute its mandate and exercise full autonomy and independence. Accordingly the Government plans to increase the judiciary's budget and improve working conditions, and enhance coordination with other governmental institutions. The Government plans to adopt specific measures to facilitate greater scrutiny and prosecution of judiciary personnel involved in corruption or neglection of duties. Other measures designed to improve the country's judiciary will include, among other initiatives:

- promoting an intergovernmental accord to develop, strengthen and improve management evaluation and control of judiciary personnel;
- expanding the jurisdiction of Judges of the Peace to include crimes with sanctions of up to five years in prison;

- implementing training programs to carry out programs for the prevention of extrajudicial executions; and
- developing centers of mediation and alternative dispute resolution.

During 2012 the following strategy achievements were accomplished:

- Reduction of homicidal violence. In 2012 a historic decline of 9% in violent deaths was observed (526 fewer homicides than in 2011), and a reduction of more than four points in the homicide rate per hundred thousand inhabitants (34.2 in 2012 as compared to 38.6 in 2011). There was also a reduction of other illicit activities such as violent deaths of women (9% less than in 2011), kidnapping (33% less than in 2011), injuries (2% less than in 2011) and vehicles thefts (5% less than in 2011).
- Breaking-up of criminal networks. The Government has effectively combated illegal activities of organized criminal groups, gangs and drug dealing organizations. There has been dismantling and submission to the courts of 31 gangs dedicated to murders and killings; 20 gangs of extortionists, 23 kidnapping gangs, seven femicide gangs and five gangs involved in vehicle thefts. The number of arrests with warrants for apprehension increased by 33% in 2012 compared to the previous year and 1,943 people were arrested who were linked to drug dealing.
- Effective inter-institutional coordination in reducing crime. The most relevant and fruitful coordination mechanism has been the creation of Task Forces (including members of the National Civil Police, the Civil Intelligence, the Public Ministry and the Army of Guatemala) that fight against illegal activities such as femicide, extortion, kidnapping, robbery of vehicles and phones, homicides and hired assassins. They also assist geographical areas with high levels of criminal incidents (Zone 18 and Zone 7 of Guatemala City).
- Reform of drug policy and Guatemala's participation in the Security Council of the UN. In 2012 Guatemala undertook two foreign policy initiatives: the president's proposal to the international community, to seek and implement alternative mechanisms to combat drugs and Guatemala's participation in the presidency of the Security Council of the UN.

Important challenges have been identified for 2013 as follows:

- Advance in technology, and improve the capability and number of Task Forces in order to reduce criminal violence;
- Reform and strengthen the national civil police.
- Gain approval from the U.S. government of the Temporary Protected Status (“TPS”) for Guatemalan immigrants in order to strategically place Guatemala on the international scene; and,
- Strengthen state capacities in approaching and managing conflicts.

2. Competitive Economic Development

Promoting economic growth is a priority of the current government. The Government believes that Guatemala has the potential to reach sustained economic growth of 4 - 5% annually, generating formal job growth and improving quality of life for all Guatemalans. By improving the business climate and reducing impediments to doing business, the Government is determined to reinforce the National Agenda for Competitiveness and attract more domestic and foreign direct investment.

Challenges to competitive economic development abound. Each year an estimated 200,000 Guatemalans enter the workforce, but statistics from IGSS indicate that only 20,000 formal jobs (those that include social security and other legal benefits) are being created annually. A significant number of Guatemalans engage in subsistence and infra-subsistence production and require the aid of Immediate Action Programs (“PAI”) to provide access to local markets. Processes to assist in the economic inclusion and socio-economic development of the indigenous economy, grounded in the family, the community and the natural environment, are required to assist farmers, women, youth, and indigenous peoples.

In order to expand economic opportunities and generate formal job growth, focusing on the tourism, export, energy and mining, and logistics sectors, as well as on the groups that facilitate growth in the economy, such as small and medium enterprises, partnerships, local economies, and productive development organizations, the Government intends to, among other initiatives, bring together workers, civil society, the media and others to:

- increase job security by leveraging Guatemala’s strengths in exports, trade relationships, strategic location, cultural and environmental tourism and energy and mining sectors;

- improve the quality and competitiveness of Guatemalan products, provide higher-level job training, productivity and job training, invest in science, technology and innovation, create a System of Statistic Information and Geography for technical, political and administrative autonomy, and support cooperatives, productive organizations and micro, small and medium-size enterprises, so that Guatemala, its institutions and businesses will become increasingly more involved in the international markets;

- protect the environment and natural resources without obstructing development by promoting sustainable development through the use of our natural resources and promising legal security to investors, implementing clear rules, speeding up procedures, and adapting to changes in climate;

- reinforce the leadership of Guatemala in the context of Central America and the world, by implementing systems to rebuild a climate of peace and democracy, strengthening institutions and multilateral relations with Central American and other strategic countries, establishing a coherent and proactive foreign policy, assisting Guatemalans residing abroad, and focusing on regional and international security; and

- maintain stable and consistent macroeconomic management that promotes growth, by implementing a comprehensive fiscal and tax policies embodied in the Government's Fiscal Pact for Change that include increased transparency, and fiscal, monetary and financial policies consistent with exchange rate policies, labor, trade liberalization, and state modernization, thus promoting a legal framework that provides certainty to investors. The Government will use the guidelines and agreements of the Fiscal Pact for Change as a tool for the development of a Comprehensive Fiscal Policy.

Fiscal Pact for Change

As part of its Fiscal Pact for Change, the Government has begun to adopt tax policies for the period 2012-2015 with the aim to foster competitive economic development and establish coherent economic policies that seek stable growth. The tax policy agenda will integrate constitutional commitments, including those established by the Peace Plan, and efficient fiscal management to remove impediments for growth and investment. The goal of this tax policy includes the generation of sufficient resources to finance the programs embodied in the Change Agenda, namely ending poverty and hunger, fostering security, justice and developing stable economic growth efficiently.

The Fiscal Pact for Change will aim to:

- enhance transparency and improve cost management;
- strengthen the coordination between the Ministry of Finance and other public institutions;
- implement reforms in a wide range of areas, including laws governing the executive branch, the budget, public employees, civil service, and public contract administration, among others;
- create a new secretary for Control and Transparency charged with control and management of a regime of enhanced public access to public information; and
- combat tax evasion through several initiatives, including the implementation of a new tax evasion law and adoption of performance-appraisal for tax service employees.

For additional details regarding the Fiscal Pact for Change see "Public Sector Finances—Fiscal Pact for Change."

During 2012 the following strategic achievements were accomplished:

- <u>Strengthening tax and modernization</u>. The measures adopted by the current administration related to tax issues have contributed to strengthening the financial stability of the state. These measures include the adoption of the Law Against Evasion II and the Tax Updating Law contained in Decree 4-2012 and 10-2012. Fiscal consolidation is evidenced by the reduction of the gap between total revenue and expenditure of the central government, as measured by the budget balance (deficit or budget surplus). In 2011 the fiscal deficit was 2.8% of GDP, while in 2012 there was a preliminary deficit equivalent to 2.4% of GDP. Budget expenditures for the year ended December 31, 2012 were 95.3% of targets and were above average compared with the period 2000 to 2011 (93.2%). Meanwhile, total budget spending decreased in 2012 to 0.7% of GDP less than in 2011.
- <u>Improvement of business environment</u>. As of December 2012, there was an increase of 26.9% of foreign direct investment. Further, a significant achievement was the election of Guatemala as the second top reformer in Latin America and as a country with a better business environment in the CAFTA area compared with the previous year. As of November 2012, there were a total of 49,959 companies registered (5,993 more than in 2011). Meanwhile the

World Bank (“WB”), in its Doing Business report, ranked Guatemala as 93 of 185 economies; representing an advance of five positions in the index. The commercial expansion of international commerce in 2012 was bolstered by the signing of the Partnership Agreement with European Union, Convergence Agreement with Mexico, TLC with Peru and partial Agreement with Ecuador. In 2012, the Social Security Institution of Guatemala registered 123,847 new formal jobs, representing an increase of 20.7% compared to November 2011.

- Dialogue and historic consensus of the minimum wage increase. In 2012, The National Wage Committee decided by consensus to increase the current minimum wage by 5%, for agricultural, non-agricultural, maquila and export activity.

Important challenges were identified for the year 2013:

- Increasing employment levels.
- Improving the transparency and management of public administration.

3. Productive, Social Infrastructure and Development

The country’s deficiencies in access to rural electricity, health services, potable water and sewage, shelter, health centers, hospitals and schools, will be improved to ameliorate the standard and quality of life in the country, while focusing on the condition and quality of the country’s energy infrastructure, facilities, ports, airports and connectivity that bring employment opportunities and market access to the country. Measures designed to improve the country’s social and productive infrastructure, will include:

- Developing social infrastructure to raise the quality of life. The Government aims to help homeless families move into concrete homes, will implement financial mechanisms to help families have access to resources to finance new homes, local governments will be supported to extend and improve sanitation services and the supply of potable water and sewage to communities currently without these basic services. School and hospital infrastructure will be improved.

- Designing productive infrastructure for local development. This Government will extend the electric grid to spread electricity, build rural roads, drill wells and irrigation systems.

- Creating a competitive infrastructure. The Government will modernize and extend road infrastructure, airports, and maritime ports, support efforts to develop e-services, both public and private electronic services, with better connectivity to support investment projects, development and investor confidence. The Government will build development alliances to work with the private sector to modernize public services and increase competitiveness within the country.

- Expanding access to electricity. The Government will increase capacity, extend service, achieve network redundancy, diversify the energy matrix with renewable energy, as well as harmonize and integrate the region’s electricity grid.

- Achieving energy efficiency. The Government will create a commission and a foundation to lead the way to energy efficiency, and implement energy efficiency programs.

- Reconstruction. The Government will continue the reconstruction process in the areas affected by the earthquake of November 7, 2012.

During 2012 the following strategic achievements were accomplished:

- Expansion and modernization of road infrastructure. The Republic completed 32 road infrastructure projects, assisting 63 municipalities of 83 that were given priority. 888.5 Km of roadways were recovered from damage due to weather events and lack of maintenance. The paved road network was increased by 527.4 Km, and road maintenance was completed on 6,200 km of roadways.
- Transformation of power matrix and increase of the rural electrification. In the early 2012, Guatemala ranked last in electrical infrastructure for Central America according to Siepac. Currently, it is the leader in the region, with two power substations: Panaluya and Aguacapa, which are expected to be operational by 2013. The reduction of

energy costs was promoted by generating renewable sources (hydroelectric, geothermal, wind, solar and biomass) and greater efficiency in the consumption of fuel and electrical transmission as well as investment attraction and regional interconnection enhancements.

4. Social Inclusion

Many Guatemalan citizens live in situations with economic, social, and political disadvantages due to lack of access to basic social needs and basic economic opportunities. The Government is confronted with the existence of political, economic and cultural exclusion, especially of the indigenous population, and is determined to respect and defend principals of human dignity, equity and equality. Guatemala must protect all citizens, especially the most excluded and vulnerable, children and indigenous women. These programs are designed to improve the quality of life of the Guatemalan people:

- Zero Hunger. Guatemala is first in Latin America and third in the world in infant malnutrition. Half of Guatemala's children suffer from chronic malnutrition. Through national nutrition and agricultural campaigns focused on increased availability, food assistance, productivity, education and nutritional monitoring, and increasing social consciousness within and among schools and families, the Government aims to eradicate hunger and malnutrition.

- Healthy Homes. The Government plans to restructure the health system and fight maternal and infant mortality and help people to live as healthy as possible by guaranteeing everyone access to quality healthcare, healthy work and living conditions, access to potable water, a clean environment, and adequate nourishment. Programs will focus on safe maternity and childhood health programs, greater public access to doctors and specialists, as well as medicine.

- Children Prepared. Despite increased access to education, low quality and inefficient primary schooling has left the Guatemalan education system broken. Recognizing the limitations of the education system, the goal is for all children to have access to a flexible education that permits people to become successful citizens. A multilevel program from preschool to kindergarten that emphasizes bilingual and intercultural education, trains teachers and parents, integrates health and implements a national curriculum and involves municipal governments will be implemented.

- Young Actors. Guatemalan youth are arguably one of the most excluded groups in the country and urgently require greater attention and focus. A five-step program will make it obligatory that youth remain in school until they are sixteen years old, improve teacher training, expand education to include anti-violence programs, sexual education, prevention of the spread of AIDS, alcoholism, smoking and drug addiction, job training programs, and increased access to participation in recreational and cultural activities, sports, the arts and job training.

- Safe Families. Many families face general disparagement resulting from emigration, alcoholism, violence and lack of development. The Government will aim to strengthen the family as the base of society through parental training programs, risk prevention programs and safe houses, food banks, national campaigns to fight and raise awareness about domestic violence and create centers available to help the victims, comprehensive care for the elderly, and protection of the most vulnerable citizens, including orphans, HIV/AIDS patients and trafficking victims.

During 2012 the following strategic achievements were accomplished:

- Focusing on the battle against malnutrition. Actions were focused on the 166 municipalities most impacted by chronic malnutrition and in 213 municipalities afflicted by seasonal hunger, most of which are municipalities with the highest rates of poverty and other rural areas nationwide. In order to institutionalize and strengthen the strategies under the Zero Hunger Pact, the Decree 235-2012 was approved. The fatality rate for cases of acute malnutrition dropped from 22 (in 2011) to 11 for every thousand persons affected in 2012.

- Establishment of the Ministry of Social Development. The Ministry of Social Development ("MIDES") was established and is now operating as the executive branch agency that is responsible for public policies aimed at improving the welfare of people and vulnerable social groups suffering exclusion and living in poverty and extreme poverty. The creation of MIDES institutionalized social protection strategies, encouraging greater transparency and effective accountability in social matters.

The following challenges were identified for the year 2013:

- Reduce to 3% the level of chronic malnutrition for the year 2013.
- Extend the coverage of social programs of the MIDES.
- Create the Vice-Ministry of primary health care within the Ministry of Public Health and Social Assistance.

5. Sustainable Rural Development

The deterioration of the overall quality of life of the inhabitants of rural areas and the problems related to the sustainability of natural resources require solutions to develop human, economic, and environmental capital and social order to improve the quality of life and overcome structural delays afflicting the country's rural areas. The objective of the Government is to raise the level of quality of life of the people living in rural areas by guaranteeing food, security and reducing environmental degradation through the following actions:

- <u>Increase rural income, subsistence economies and production chains</u>. The Government will support production of basic food products and seeds, promote postharvest handling and pest control, offer training, fertilizer and tools, as well as financial assistance through cooperatives, microcredit programs and other organizations. The Government will promote productive and commercial development, such as drilling of wells and construction of water collection systems, increase market access, training programs, and encourage the development of supply chains through micro, small and medium-size enterprises, as well as multi-sector alliances.

- <u>Focus on the restoration of water, land and forest</u>. The Government plans to create employment programs to help reforest the country, as well as manage and conserve forests, protect soil and water sources. It will also work to reduce the country's vulnerability to natural disasters, improve early warning systems and response programs.

- <u>Conserve resources for today and tomorrow</u>. The Government will involve all levels of government in environmental management. It will promote public participation in monitoring and evaluation of all projects, works, industries and or activities in environmental planning. The Government plans to enforce fiscal mechanisms to protect the environment, and increase environmental education programs.

- <u>Supervise land planning and development</u>. The Government plans to establish, in coordination with municipalities and indigenous communities, a sustainable, systematic and participatory rural land management. A study will be commissioned on soil taxonomy, with the results used to improve productivity, promote sustainable development, and improve conservation. The country also plans to implement a land management and planning program to prioritize land use, better plan for disasters, and promote sustainable development.

- <u>Enhance legal certainty</u>. To advance legal certainty regarding land ownership, the Government plans to strengthen member property rights, attract investment, and work to reduce conflict in rural areas with the development of a land registry and regularization system. The Government plans to expedite procedures on environmental procedures through the reinforcement of the departmental delegations of the *Ministerio de Ambiente y Recursos Naturales*, the Ministry of Environment and Natural Resources, or "MARN."

During 2012 the following strategic achievements were accomplished:

- <u>Increased food production with a focus on basic grains</u>. Production was promoted by supporting small farmers through the distribution of fertilizers and productive micro-credits. The tools for implementing the programs were the Triangle Programs of Dignity and Land Leasing Program. Furthermore, the *Sistema Nacional de Extención Rural* –SNER- ("National Rural Extension System") carried out technology enhancements and other improvements in rural households. Modernization efforts focused on commercial corn production, certified seed corn and black beans, production of certified seed potatoes, and production of yucca stems and cuttings of sweet potato. Additionally, the programs provided food assistance and supplies and seeds in dry territories and municipalities affected by the earthquake that struck the Western Highlands. To reinforce the operational and institutional structure of *Ministerio de Agricultura Ganadería y Alimentación* ("MAGA") the following were created: the *Programa de Agricultura Familiar para el Fortalecimiento de la Economía Campesina* -PAFFEC- (Program for Strengthening Family Agriculture in the Rural Economy") and *Programa de Agricultura Empresarial* –PAE- ("Entrepreneurial Agriculture Program"). These initiatives aimed to improve the incomes of rural families and farmers, and are complemented by the authorization of Business Plans and Entrepreneurial Enforcement Plans in rural areas.

Important challenges identified for 2013 are as follows:

- Increase food production with a focus on basic grains.
- Approve the legislative initiative 4,084 of Integrated Rural Development that aims to generate sustainable and equitable rural development, improving the living conditions of the rural population, diminishing agricultural conflicts and contributing to the economic development of the Guatemalan population.

Recent Economic Developments

During 2011 and 2012:

- Inflation decreased to 3.5% in 2012, compared to 6.2% in 2011;
- the *quetzal* appreciated by 1.2% in nominal terms against the U.S. dollar, in 2012 as compared with 2011.
- net international reserves reached US$6,693.8 million on December 31, 2012, compared to US$6,187.9 million on December 31, 2011, representing a 8.2% increase.
- In 2012, tax revenues reached US$5,501.5 million compared to US$5,176.7 million for 2011, representing a 6.3% increase.

Agreement with the IMF

In April 2009, due to the global economic crisis and in order to maintain macroeconomic stability, the Guatemalan Government signed a US$950 million Stand-By Agreement ("SBA") with the IMF, for a period of 18 months. The IMF support played a key role in maintaining the confidence in the Government's economic policy and the soundness of the country's financial condition. As a result, Guatemala was the only country in Central America in 2009 to show a positive although low GDP growth rate (0.5%).

No disbursements were made under the SBA. Various reviews conducted by the IMF verified compliance with all performance criteria by wide margins, including criteria relating to inflation. The agreement concluded successfully on October 21, 2010. For additional detail, see "Monetary System—Agreement with the IMF."

The Peace Program

The Peace Program contemplates significant investment in human, economic and infrastructure development. Pursuant to Governmental Accord No. 86-2004, the National Commission for the Peace Accords (*Comisión Nacional de los Acuerdos de Paz*), an independent commission, was created to promote knowledge, social responsibility and accountability in all social sectors as well as to promote, develop, analyze and propose legal reforms, policies, programs and derivative projects that contribute to the goals of the Peace Program. The President of the Republic of Guatemala, aware that the State's role is to harmonize and reconcile the interests and expectations of different sectors of the society, ratified the government's commitment to fulfill the Peace Agreements and Human Rights pursuant to Decree No. 52-2005, conferring the peace accords the status of State Commitments.

Since 2010, a new methodology is used for appropriation of expenses destined for the Peace Agreement, applying the New Governmental Classifier by Purposes and Functions, which is a structure based on concepts and definitions from the Public Financial Statistics Manual (2001) of the IMF and the United Nations Classification for Governmental Functions.

The Peace Program has required a significant increase in public expenditures by the Government. The Peace Program has required a significant increase in public expenditures by the Government. The following table details the Government's expenditures with respect to the Peace Program for the periods indicated.

Peace Program Expenditures
(In millions of US$)(1)

	2006	2007	2008	2009	2010	2011	2012(2) Budget	2012(2) Executed
Health and social welfare	540.3	521.3	566.6	637.1	930.9	886.4	1,686.7	1,452.9
Education, science and culture	917.4	982.2	1,133.1	1,306.9	1,321.6	1,508.5	1,681.1	1,463.1
Housing	62.1	63.1	30.7	36.1	91.7	47.6	41.3	26.5
Domestic security	224.0	242.0	290.2	312.9	337.5	405.3	473.7	349.4
Judicial organizations	108.7	122.8	146.6	127.5	121.6	163.5	175.3	161.1
Public prosecutors	68.5	81.6	90.5	76.2	88.3	88.7	114.0	109.5
Annual total	1,921.0	2,013.0	2,257.7	2,496.7	2,891.6	3,100.0	4,172.0	3,562.4

(1) Translated from Q to US$ at year end.
(2) As of November 30, 2012.
Source: Integrated Accounting System, or SICOIN, Ministry of Public Finance.

The *Secretaría de la Paz* (Secretary for Peace), whose head is appointed by the President, assesses the Government's performance and coordinates compliance with its commitments under the Peace Accord. The Secretary for Peace is responsible for implementing peace agreements with the support of all sectors of the country. The Framework Peace Accord Law, Decree No. 52-2005, establishes the National Council for the Implementation of the Peace Accords. The Council is responsible for discussing legal matters, coordinating, promoting, guiding and influencing legal reforms, policies, programs and projects that contribute to the full implementation of the Peace Accords. This Act repeals the Governmental Agreement No. 86-2004, which created the National Commission for the Peace Accords (*Comisión Nacional para los Acuerdos de Paz*).

Members of the National Council to Comply with the Peace Accords include the Secretary for Peace, a representative of the URNG, a member of the Board of Directors for the Legislative Branch, a Magistrate of the Supreme Court, one representative of the Secretary of Planning and Programming of the Presidency of the Republic, a representative of the Ministry of Finance, one representative from each of the parties or coalitions with representation in Congress, one representative of the women's group and one representative for each of the following sectors: labor, peasants, business, human rights and academic organizations, the Human Rights Ombudsman, and an observer of the international community (UNDP Resident Director).

The National Council for the Peace Accords ("CNAP") substitutes the former Supervisory Commission for the Completion of the Peace Accords. In August 2006, the CNAP formed a Dialogue Promoter Group for the Fiscal Pact ("DPGFP"), integrated by representatives of several and diverse social sectors.

The following actions were taken for research and monitoring of the implementation of the Peace Accords.

- The third report on the progress of the 2010 Peace Accords was prepared about the actions performed in relation to the "Schedule for the Implementation of Peace Accords 2008-2012" in coordination with the network of integrated institutional delegates from 30 public agencies.

- A study titled "Update on the qualitative goals derived from the commitments established in the Peace Accords" was conducted to review the economic goals of the peace agreements in health, education, housing, security and defense and other state commitments.

- Financial compensation was promoted in cases of missing children and specific violations against children, resulting in 1,104 projects benefiting 16,492 people and totaling Q335.6 million (approximately US$42.0 million from 2008 to April 2011).

- The agreement with the National Institute of Forensic Sciences of Guatemala ("INACIF") was signed. Guatemala was the first country in Latin America that took responsibility for the exhumation of clandestine cemeteries resulting from the internal armed conflict.

The United Nations Verification Mission in Guatemala ("MINUGUA"), monitored compliance by the Government with the provisions of the Peace Accords and recommended any changes needed to avoid or correct noncompliance. It also evaluated the implementation and advancement of specific Peace Accord programs and projects, and published periodic reports on their implementation. MINUGUA also assisted in drafting the law detailing the

Government's responsibility to compensate victims of the internal armed conflict and assisted the Supervisory Commission for the Completion of the Peace Accord in rescheduling the timetable for completing the Peace Accords. In one of its reports, MINUGUA recommended that the Republic adopt a government policy on crimes against civil liberties and human rights and establish courts for speakers of Mayan languages. MINUGUA's mission officially ended in 2002, but was extended initially through the end of 2003 and then again through the end of 2004. The Government implemented a transition process with the *Comisión Presidencial de Derechos Humanos*, the Presidential Human Rights Commission, or "COPREDEH," to enable a more effective nationalization of its responsibilities, particularly with respect to the verification of human rights. MINUGUA concluded its operations on December 31, 2004, after 10 years of supporting the peace process in Guatemala. The final report on the work of the Mission described its activity during the various stages of the peace process. It highlights the innovative transition strategy that was implemented during the last two years of the Mission to build national capacity to promote the agenda of the Peace Accords after the departure of MINUGUA. The Government's commitment to human rights, in the period from 2004 to 2006, was directed towards the process of strengthening the rule of law and in the enforcement, validity and promotion of human rights. A permanent office of the UN High Commissioner for Human Rights, or OHCHR, was installed on December 20, 2005 in Guatemala pursuant to Decree No. 40-2005, which ratified the agreement signed between Guatemala and the High Commissioner on January 10, 2005 in New York.

The Government, through the Guatemalan Human Rights Ombudsman and the Minister of Foreign Affairs, promoted the creation of a commission to investigate alleged human rights abuses, particularly those perpetrated by public security groups or unregulated private security companies. On January 7, 2004 the United Nations and the Guatemalan Government signed an agreement for the establishment of the *Comisión de Investigación de los Cuerpos Ilegales y Aparatos Clandestinos de Seguridad en Guatemala*, the Commission for the Investigation of Illegal Organizations and Clandestine Security Bodies in Guatemala, or "CICIACS." Congress requested a consulting opinion on this agreement from the Constitutional Court. The Court's opinion declared some of the articles of the agreement as unconstitutional, including those that the Guatemalan Constitutional Court declared in 2006 as incompatible with the Republic's Constitution because they violated national sovereignty.

The Government of Guatemala requested the Organization of the United Nations to establish the CICIACS to assist the state in dismantling illegal bodies and clandestine security groups and combating impunity. On December 12, 2006, the Agreement between the United Nations and the Government of Guatemala was signed, being formally approved by the Congress of the Republic of Guatemala on August 1, 2007. The initial term of the commission was two years and was extended by the Congress of the Republic to September 2013.

The Government of Guatemala again requested a new extension of the mandate through September 2013. CICIACS is led by a Commissioner. On August 1, 2010, the UN Secretary General appointed the Costa Rican prosecutor Francisco Javier Dall'Anese Ruiz to head the CICIACS, replacing the Spanish prosecutor Carlos Castresana Fernandez, who resigned on June 4, 2010. Members from several nations serve on this mission, including: Germany, Argentina, Austria, Bolivia, Canada, Chile, Colombia, Costa Rica, El Salvador, Spain, United States of America, Finland, France, Guatemala, Honduras, Ireland, Italy, Mexico, Peru, Portugal, United Kingdom, Sweden, Switzerland, Trinidad and Tobago, and Uruguay. CICIACS is sponsored by the financial support provided by organizations and donor countries. The CICIACS's latest initiative was the creation of a task force to investigate judges and assist in reforming the judiciary system, which caused unrest among judges and magistrates.

Government and Political Parties

Guatemala's current Constitution was adopted by a constituent assembly in 1985, after the 1965 constitution had been suspended in 1982 following a military coup. The Constitution was amended through a referendum in January 1994 that, among other things, reduced the legislative terms of office from five to four years and set the presidential term limit at one four-year term.

The Government is divided into three branches: executive, legislative and judicial. A separate Supreme Electoral Tribunal has independent authority to call and administer elections. There is also a separate Human Rights Ombudsman. As of November, 2012, the Government had approximately 276,845 employees.

Executive

The President and Vice President are elected directly through universal suffrage. The President proposes legislation to Congress and appoints all 13 cabinet ministers. The President also is the commander-in-chief of the armed forces and has the power to veto legislation approved by the legislative branch. The legislative branch can override any

Presidential veto and enact the legislation by affirmative vote of two-thirds of Congress. The next presidential and congressional elections are scheduled for September 2015. Pursuant to the amendments established by the Electoral and Political Parties Law (*Ley Electoral y de Partidos Políticos*), presidential, congressional and municipal elections take place on the first Sunday in September of each election year.

Guatemala is divided into 22 administrative subdivisions called departments, which are administered by governors appointed by the President. These departments, in turn, are composed of 333 municipalities, which are governed by popularly elected mayors and councils, who generally serve four-year terms.

Legislative

The legislative branch consists of a unicameral Congress of 158 deputies, each of whom has a four-year term. Of these, 126 deputies are elected from geographical districts and 32 are elected by proportional representation based on the most recent population census. Congressional sessions run each year from January 14 through May 15 and from August 1 through November 30. Either the permanent commission of Congress, established to manage administrative matters when Congress is not in session, or the executive branch can call extraordinary sessions of Congress. Members of Congress can propose bills to Congress, and acts of Congress are passed by an affirmative vote of an absolute majority of members, except in certain specified cases. Congress also decides, by two-thirds majority vote, whether to bring charges against cabinet level officials.

Congress has the exclusive power to levy taxes. In order for any Government entity to borrow money, it must follow certain legal procedures and receive prior approval from Congress.

The following table shows the composition of Congress by political party or affiliation as of January 2013:

	Congress(1)	
	Seats	**%**
Partido Patriota ("PP")	61	38.6
Libertad Democrática Renovada ("LIDER")	31	19.6
Bloque independiente TODOS	14	8.9
Compromiso Renovación y Orden ("CREO")	8	5.1
Unidad del Cambio Nacional ("UCN")	8	5.1
Unidad Nacional de la Esperanza ("UNE")	7	4.4
Gran Alianza Nacional ("GANA")	7	4.4
Independientes (without affiliation party)	7	4.4
Others	15	9.5
Total	158	100.0%

(1) As of January, 2013.
Source: Guatemalan Congress.

Political Parties

In 2006, Congress approved an amendment to the Electoral and Political Parties Law in order to lay the foundation for optimizing the electoral process and strengthen the role of all actors involved in the process.

The following are the main parties or political affiliations represented in Congress as of January, 2013:

- *Partido Patriota* was founded by Otto Pérez Molina in 2002 and has 61 deputies in Congress. The current President, Otto Peréz, is a member of PP.
- *Unidad Nacional de la Esperanza* ("UNE") was founded in 2002. UNE has 7 deputies in Congress.
- *Libertad Democrática Renovada* ("LIDER") has 31 deputies in Congress and was officially registered as a political party in 2010.
- *Gran Alianza Nacional* ("GANA") was formed in 2002, and has 7 deputies in Congress.

- *Unión del Cambio Nacional* ("UCN") was formed in 2006, and has 8 deputies in Congress.

- *Compromiso Renovación y Orden* ("CREO") was formed in 2009, and had 8 deputies in Congress.

- *Frente Republicano Guatemalteco ("FRG")* was founded in 1990 by Efrain Ríos Montt, and has 1 deputies in Congress.

- *TODOS* was founded in 2012 and has 14 deputies.

- *Independientes* is the name used for a group of 7 deputies who originally belonged to different parties.

- *Visión con Valores* ("VIVA") was officially registered in 2007 as a political party. VIVA has 2 deputies in Congress.

- Other parties has a total of nine deputies in Congress.

Delegates often change party affiliations.

Judiciary

The highest judicial authority in Guatemala is the Supreme Court. Its 13 magistrates hold office for five-year terms. There are also 71 appellate courts and 398 courts of first instance and others.

Supreme Court magistrates are appointed by Congress from a list of 26 candidates submitted by a commission consisting of representatives from the General Assembly of the National Bar Association, law school deans, university rectors and appellate judges. Appellate court judges also are appointed by Congress. Judges of first instance courts are appointed by the Supreme Court.

The Public Ministry, an auxiliary institution of public administration and the courts, has as its principal function ensuring and monitoring compliance with the laws of the country. The Attorney General of the Republic heads the Public Ministry and serves as chief prosecutor. The Attorney General is named by the President for a term of four years, and can be removed by the President for cause. The Solicitor General represents the Republic in legal matters and provides legal advice to the various state entities.

The Constitutional Court has exclusive jurisdiction to hear cases regarding the constitutionality of laws and other specific governmental actions and is responsible for the enforcement of human right laws. Five regular magistrates and five alternates appointed for five-year terms make up the Constitutional Court. Each of the following institutions designates one regular and one alternate magistrate: the Supreme Court; the Congress; the President; the Superior Board of the University of San Carlos; and the General Assembly of the National Bar Association.

Foreign Policy and International Relations

Guatemala maintains diplomatic relations with 150 countries and is a member of many regional and international organizations including, among others, the following:

- United Nations, including many of its specialized agencies;

- Organization of American States ("OAS");

- Inter-American Development Bank ("IDB");

- International Bank for Reconstruction and Development (World Bank, or "IBRD");

- International Development Association ("IDA");

International Finance Corporation (“IFC”);

- International Monetary Fund (“IMF”); and

- World Trade Organization (“WTO”).

Recertification of Guatemala by President Bush

On January 31, 2003, U.S. President George W. Bush determined, based upon the recommendation of the U.S. Department of State, that Guatemala, along with two other countries, had, in the opinion of the U.S. executive branch, “failed demonstrably” to adhere to international counternarcotics agreements and to take measures to combat the international illicit drug trade. Under U.S. federal law, any country that is so designated by the President, a process commonly referred to as “decertification,” becomes ineligible for many types of foreign aid from the U.S. government. In addition, a decertified country could be barred from participating in, or receiving the benefits of, U.S. sponsored or supported programs and initiatives. President Bush waived application of the consequences of decertification for the U.S. government’s fiscal year ending September 30, 2003. On September 15, 2003, Guatemala was recertified by the government of the United States which cited Guatemala’s good-will in improving its practices in the fight against drug trafficking.

The Government recognizes that relations with the United States are vital to its national interests and, as a result, is holding frequent meetings with representatives of the U.S. government to monitor measures adopted to combat the international illicit drug trade. The Government is taking the following steps to combat drug trafficking:

- increased confiscation of narcotics;

- increased arrests of accused drug traffickers;

- closely supervising of maritime traffic to increase interdiction of drug smuggling;

- promptly destroying seized narcotics;

- strengthening the *División de Análisis e Información Antinarcótica* (Anti-Narcotics Information and Analysis Division);

- increasing enforcement of the new anti-money laundering law;

- increasing the use of extradition proceedings;

- expanding regulation of chemical ingredients used in the manufacture of illegal drugs;

- broadening the use of search warrants to combat illicit drug-related activity; and

- enacting legislation such as the Asset Forfeiture Law, which was enacted on June 29, 2011 (Decree No. 55-2010 of the Congress of the Republic of Guatemala, *Ley de Extinción de Dominio*). The law is directed against drug trafficking activities in particular.

Relations with Belize

Guatemala has a long-standing claim to a large portion of Belize, which was the subject of a territorial dispute with the United Kingdom and, subsequently, with Belize after it gained independence from the United Kingdom in 1981. In that year, Belize unilaterally claimed rights to a portion of the territory claimed by Guatemala. Guatemala and Belize have never been involved in an armed conflict over this issue. In December 1989, Guatemala sponsored Belize for permanent observer status in the OAS. In 1991, Guatemala recognized Belize’s independence and established diplomatic ties, although it acknowledged the territorial dispute.

The territorial dispute between Guatemala and Belize is a priority in the bilateral agenda of both countries. However, the issue has never led to military action and has not been an obstacle to having a constructive bilateral relationship, due to the responsible and professional treatment of the issue that the different governments have assumed. The actions taken regarding the dispute in recent history include:

- September 7, 2005. Under the auspices of the OAS, the "Agreement on a Framework for Negotiations and Measures to Instill Confidence" was signed to attempt to reach an agreement on all issues of the dispute, which included a general definitive solution in land, insular and maritime areas. In addition, the Measures of Trust were reiterated to benefit the inhabitants of the Border Zone. As foreseen in the Framework Agreement; it was not possible to reach an agreement. The Secretary General of the OAS recommended that the dispute be brought before the International Court of Justice ("ICJ") or Court of International Arbitration.

- December 8, 2008. The two countries signed the "Special Agreement between Guatemala and Belize to Submit an Insular and Maritime Territorial Claim of Guatemala to the International Court of Justice." This "Special Agreement" was an important step to resolve the dispute because in addition to accepting the jurisdiction of the ICJ and being bound to present the case before the judicial body, the article establishes the subject of the dispute and the stages of the process, and provides that both countries will fulfill the internal procedures required by its legislation to permit ICJ to settle the territorial dispute, including consulting their populations in plebiscites.

- September 9, 2010. The "Special Agreement" was approved by unanimous decision of the Congress of the Republic of Guatemala, by Decree 31-2010, dated September 9, 2010, and was the first step of compliance required by the internal procedures of Guatemalan legislation.

- November 28, 2011. The Ministers of Foreign Affairs of Belize and Guatemala met with the Secretary General of OAS and reiterated their commitment to comply with the terms of the Special Agreement. The Secretary General committed to convening a bilateral meeting with the plan to hold referendums before the end of 2013. Once the "Special Agreement" has been approved in Belize and the results of the referendums in both countries are favorable, the ICJ may resolve the dispute. The Measures to Develop Trust, the Border Zone established as "buffer area," the OAS Office at the zone, in addition to the High Level Task Group created on December 16, 2009, for direct treatment of incidents, all contribute positively to the bilateral relations between Guatemala and Belize.

- October 6, 2013. The Government expressed that by October 6, 2013, all required support is expected to be granted to the referendum that will be held on such date by the citizens in respect of the decision to impose Guatemalan territorial, insular and maritime claims before the ICJ as part of a strategy to achieve a final solution to the dispute.

Regional Integration and Free Trade

Guatemala's economy is characterized by an open foreign trade policy as evidenced by its low tariffs. Guatemala has benefited from regional trade initiatives designed to open the markets of Central American nations to other nations in Latin America and North America. Regional integration has been especially beneficial to Guatemalan industry, particularly because it has enhanced its agricultural and processed foods exports. Trade initiatives with the United States have increased access to the U.S. market for many Guatemalan products and have provided a framework for further negotiations concerning trade liberalization between the two nations. Increased access to international markets and liberalization of trade barriers are related elements of Guatemala's plan to increase international competitiveness and exports and to encourage investment.

Regional Trade Initiatives Involving Central America

Guatemala participates in several regional initiatives to promote trade and investment. The most significant of these initiatives consist of the following:

- *Mercado Común Centroamericano* (Central American Common Market);
- Trade and Investment Framework Agreement ("TIFA") with Central American countries;
- Free Trade Agreement Dominican Republic-Central America-United States of America ("DR-CAFTA");
- Free Trade Agreement Panama-Central America;
- Free Trade Agreement Mexico-Northern Triangle;

- Free Trade Agreement Dominican Republic-Guatemala ;
- Free Trade Agreement with Taiwan;
- Free Trade Agreement Chile-Central America;
- Free Trade Agreement with Colombia;
- Partial Agreement with Venezuela;
- Partial Agreement with Cuba; and
- Partial Agreement with Belize.

Additionally, the following initiatives are under the process of negotiation or ratification:

- Partnership Agreement between the European Union and Central America.
- Partial Agreement with Ecuador.
- Partial Agreement with Trinidad y Tobago
- Convergence Agreement with México
- Free Trade Agreement with Perú
- Protocol Incorporation from Panama to Central America.

In the 1990s, the member nations of the Central American Common Market decided to reinvigorate the regional integration movement and signed several treaties to allow for the free movement of a majority of the products of the member nations and to coordinate tariffs. These treaties resulted in the following key achievements:

- elimination of barriers to the free movement of goods, including all agricultural products, except unroasted coffee and sugar cane, and people among the member nations;
- equal treatment of companies from other member nations that invest in the construction of roads, bridges, irrigation systems, electrification and similar regional infrastructure projects; and
- stability in average import tariffs, as evidenced by an import tariff of 3.7% in 2006, 3.1% in 2007, 2.7% in 2008, 2.7% in 2009, 2.6% in 2010 and 2.4% in 2011. An import tariff of 2.1% is estimated for 2012.

Guatemala is in the process of conforming its trade regulations to the basic principles of the General Agreement on Trade in Services ("GATS") of the WTO. Central American nations also have begun discussions with respect to a proposed regional Project of Regulations for the Trade in Services, which would provide a framework for the gradual liberalization of services and trade.

Guatemala has also adopted the Central American customs valuation rules intended to implement the provisions of the WTO Customs Valuation Agreement. It ceased to apply minimum values when a waiver granted by the WTO expires.

In accordance with the commitments made by the country with the WTO, the laws establish tax incentives to support exports and the textile industry that will expire in 2015. In this context, there has been an action plan since 2010, agreed upon with the private sector and notified to the WTO, which includes a series of activities to be performed until 2014, and whose final product would be new legislation to create incentives for investments.

In March 1998, Guatemala signed the TIFA with all other Central American nations. On June 29, 2000, Guatemala signed a free trade agreement with El Salvador, Honduras and Mexico. On March 10, 2004, Guatemala and El Salvador initiated procedures to simplify the customs process at their borders, including placing customs officials from each country at the customs inspection site of the import country in the case of goods and for departing tourists. Guatemala and Honduras instituted similar procedures on April 14, 2004, and Honduras and Nicaragua followed on May 6, 2004.

The creation of a customs union, which would benefit from economies of scale if established in more than one country in the region, is a priority for the Government of Guatemala, and the Government is currently in the process of negotiating and implementing a customs union with other Central American countries. Customs union pilot plans have been implemented by customs officers of Honduras and El Salvador in Tecún Umán at the Guatemalan-Mexican border and by customs officers of Honduras, Guatemala and El Salvador in Peñas Blancas at the Nicaraguan-Costa Rican border. Customs unions will facilitate the trade of goods and services in the Central American region.

The Free Trade Agreement between the Dominican Republic, Central America, and United States ("DR-CAFTA") was approved by the Congress of the Republic of Guatemala on March 10, 2005, and implemented on July 1, 2006. DR-CAFTA has facilitated trade and investment through the elimination of tariffs on imports and other barriers to the trade of goods and services, benefiting consumers with substantial value and volume purchases. Likewise, it could enable the consolidation of unilateral tariff preferences granted by the United States, like the CBI and the Generalized Preferences System (*Sistema Generalizado de Preferencias*), achieving consolidation of the markets and enhancing competition, on both a national and regional scale, for the agricultural, industrial, textile and manufactured goods industries. As a result of the implementation of DR-CAFTA, Guatemala has benefited from increased or opened quotas for Guatemalan products, including sugar. See "Trade Initiatives Involving the United States and Other Countries."

Free Trade Zones

Free trade zones are industrial parks set aside for manufacturing a variety of products exclusively for export. These industrial parks operate in a nearly free trade environment. Some of the manufacturing in the free trade zones consists of assembly manufacturing, with raw materials imported into Guatemala, free of import duties, and then assembled to produce finished goods for export. Intermediate and capital goods entering the free trade zones are likewise not subject to import tariffs, and goods manufactured in the free trade zones enter the United States free of import duties or with preferential duties under the CBI. Exports from the free trade zones have also benefited from preferential trade treatment accorded by the United States to certain textile products under the U.S.-Caribbean Textile Parity Agreement, which was approved by the U.S. Congress in May 2000. The tax advantages of the free trade zones include:

- five-year exemptions from income taxes from commencement of commercial activities (consisting of the sale and distribution of goods after they are imported to Guatemala);

- ten-year exemptions from income taxes for industries and services from commencement of operations (consisting of the transformation of raw materials into the final product as well as the rendering of services to other industries); and

- exemption from VAT for operations within and between free zones.

There were 266 companies operating in 17 trade zones generating US$423.7 million in exports, representing an increase of 26.3% in 2011. It was estimated that for 2012, the value of exports of free zones was approximately US$315.7 million, representing a decrease of 25.5%.

Trade Initiatives Involving the United States and Other Countries

Since 1983, Central American countries have enjoyed trade preferences in the U.S. market under the Caribbean Basin Initiative ("CBI"). The U.S. government established the CBI to aid Central American and Caribbean countries, including Panama, by providing duty-free access to the U.S. market for all goods originating in member countries. The list of duty-free products contains a few notable exceptions, including beef, textiles, clothing, oil and oil derivatives. Sugar remains subject to quotas. The CBI also contains rules of origin that require that 35% of a product's content has to be from member countries in order to be eligible for duty-free treatment. In 2000, the U.S. Trade and Development Act extended the benefits of the CBI by granting trade concessions similar to those enjoyed by Mexico under NAFTA for apparel, and lowering tariffs for other products previously excluded from the Initiative, granting duty free access to almost 75% of all Central American exports to the U.S.

In December 1994, at the Summit of the Americas in Miami, Florida, the presidents of the United States and the Central American countries signed the *Conjunto Centroamericano-USA* ("CONCAUSA"), a partnership for sustainable development which sets a goal of achieving a Free Trade Area of the Americas by 2005. CONCAUSA has fostered cooperation among its member countries and promoted a unified strategy for the sustainable political, economic, social and environmental development of Central America, along with other programs such as the CBI. A renewed version of CONCAUSA was signed in Washington, D.C. on June 7, 2001, which seeks to improve Central America's environmental management, competitiveness in global markets and protection of its biodiversity. The member countries of CONCAUSA are finalizing work on an updated plan of action that will foster sustainable economic development, promote free trade, conserve Central America's biodiversity, strengthen environmental laws and their enforcement, and improve energy efficiency.

On June 15, 2001, Mexico, Guatemala, and six other Central American countries signed the Puebla-Panama Plan, which is intended to strengthen regional development by linking Mexico's nine southern states with Central America. The Puebla-Panama Plan was expected to strengthen regional development by fostering joint planning to promote tourism, trade, education and environmental protection; ease travel restrictions between the member countries; improve transportation links; and connect power, telephone and gas grids in order to eventually tie such grids into U.S. and Canadian systems. On June 2008, in the city of *Villlahermosa*, Tabasco, Mexico, the Tenth Summit on the Mechanism of Dialogue and Agreement of *Tuxla* was held. The presidents of Central America, Colombia, Belize and Mexico reviewed the agenda under the Puebla-Panama Plan. In the aforementioned agenda, in addition to the restructuring of the projects that have accumulated since the implementation of the initiative (approximately 100), the Puebla-Panama Plan was renamed Project for Integration and Development of Mesoamerica. The Mesoamerica Project represents a high-level political group coordinating the cooperation, development and integration of ten countries (Belize, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama and Dominican Republic). This facilitates the management and implementation of projects to improve the quality of life of the inhabitants of the region. The Mexico-Guatemala Electric Interconnection has been one of the projects implemented.

On May 28, 2004, Guatemala, along with other Central American countries and the United States, signed CAFTA. On March 10, 2005, the Congress of the Republic of Guatemala, through Decree No. 31-2005 approved the Free Trade Agreement between the Dominican Republic, Central America, and the United States, known as DR-CAFTA, which was implemented on July 1, 2006. The DR-CAFTA maintains the benefits of the CBI. See: "Regional Trade Initiatives Involving Central America."

With the trade agreements, quotas have been increased or opened for Guatemalan products. As a result of DR-CAFTA, the sugar quota was increased. At the same time, increases were obtained for several other products, including for example, dairy products. Pursuant to the agreement with Taiwan, a quota for Guatemalan sugar was implemented. In the case of the final association agreement with Europe, Guatemala attained quotas for several products, including sugar, textiles, yellow corn and mushrooms.

On May 19, 2010, the countries of Central America and the European Union reached a trade agreement that promotes greater commercial and political cooperation, which also include preferential tariffs granted by the European Union. In December 2012 the European Parliament approved the agreement and remains subject to final approval by the legislatures of the Central American countries.

Legal Proceedings

We are from time to time subject to certain claims and party to certain legal proceedings incidental to normal governmental operations. In view of the inherent difficulty of predicting the outcome of legal matters, we cannot state with confidence what the eventual outcome of these pending matters will be, what the timing of the ultimate resolution of these matters will be or what the eventual loss, fines or penalties related to each pending matter may be. In the opinion of the Republic, the ultimate disposition of any threatened or pending matters, either individually or on a combined basis, will not have a material adverse effect on us. However, in light of the uncertainties involved in these claims and proceedings, there is no assurance that the outcome of a particular matter may be material to us for a particular period, depending upon, among other factors, the size of the loss or liability imposed and the level of public revenues for that period. Below is a summary of certain pending arbitrations to which the Republic is a party.

- On October 20, 2010, Teco Guatemala Holdings, LLC ("Teco") initiated arbitration proceedings against the Republic in the International Centre for Settlement of Investment Disputes ("ICSID"). Teco claims damages of US$285.6 million and alleges that the Comisión Nacional de Energía Eléctrica de Guatemala, the Guatemalan National Commission on Electric Energy, or "GNCEE," fixed energy distribution tariffs for Empresa Eléctrica de Guatemala, S.A. ("EEG") at levels well below the standard rate.

- On March 16, 2009, Iberdrola Energía, S.A. (“Iberdrola”) initiated arbitration proceedings in ICSID against the Republic, claiming damages of US$181 million. Iberdrola alleges that the GNCEE fixed energy distribution tariffs for Empresa Eléctrica de Guatemala, S.A. (“EEG”) at levels well below the standard rate. In August of 2012, the court ruled in favor of the Republic, indicating, that Iberdrola Energía, SA. , the petitioner, must incur upon the costs of the proceedings and accept the exception from the jurisdiction of ICSID and from the Court of Competent Jurisdiction submitted by the Republic of Guatemala.

THE GUATEMALAN ECONOMY

Guatemala has the largest economy in Central America, with an estimated GDP of US$49,895.9 million for the year 2012. The economy has continued to expand, even during the recent global economic crisis, growing at a real rate of 5.4% in 2006, 6.3% in 2007, 3.3% in 2008, 0.5% in 2009, 2.9% in 2010, 4.1% in 2011 and an estimated rate of 3.0% in 2012.

The economic activity in Guatemala has been driven mainly by the private sector. As an example, public administration and defense represented only 7.8% of the GDP in 2012, which shows the limited role of the Government in the economy.

Economic Development Since 2006

Over the last six years, Guatemala's economy has been characterized by:

- continued and positive growth;
- stable inflation;
- a stable foreign exchange rate;
- high levels of net international reserves;
- low public debt ratios (for both internal and external public debt);
- a stable macroeconomic environment; and
- low refinancing risk of the public debt.

The Guatemalan economy experienced a deceleration in 2009, as a result of the global economic crisis, suffering a contraction in foreign trade and a decrease in tourism and remittances inflows; however, unlike most countries in Latin America, Guatemala registered a positive growth rate in 2009.

Important economic goals achieved during the last five years include:

- continuing the liberalization of the economy and the trade regime through the signing of free trade agreements with several countries, entering into bilateral investment agreements with Mexico, the Dominican Republic, the U.S., Taiwan, Panamá, Colombia, Peru, Chile and others, and signing DR-CAFTA, which became effective on July 1, 2006 with the approval of the Congress of the Republic of Guatemala;
- strengthening and modernizing the financial sector, including through improved supervision and the enactment of several new laws, including a new Organic Law for the Bank of Guatemala and anti-money laundering legislation. Guatemala was removed from the "Non-Cooperative Countries and Territories List" of the Financial Action Task Force ("FATF");
- increasing tax collections from 10.5% of GDP in 2010 compared to 11.0% of GDP in 2011; a collection of 11.0% of GDP is estimated for 2012.
- maintaining relatively stable rates of inflation;
- increasing fiscal transparency;
- addressing ongoing problems associated with poverty through the creation of employment opportunities, the provision of social services and the improvement of the infrastructure in the poorest rural areas;
- increasing investment in infrastructure, particularly in the communications sector; and
- increasing reconstruction efforts related to the Peace Program and as consequence of Tropical Storm Agatha and Hurricane Stan.

A significant fiscal tax reform was approved on February 25, 2012, pursuant Decree No. 4-2012. The decree amends numerous provisions of the Income Tax Law, VAT Law, Vehicles Circulation Tax Law, Tax Code, Tobacco Law, and the Criminal Code. See "Public Sector Finances-Tax Regime." In May 2000, 130 organizations and the executive, legislative and judicial branches of government entered into the Fiscal Pact, a set of commitments regarding tax revenues, social spending, balancing the budget and other fiscal matters. The Fiscal Pact requires that the Government strive to achieve certain financial targets, including an increase in tax revenues to 12% of GDP from 10.3% of GDP in 2003, a decrease in the average annual fiscal deficit to approximately 1% of GDP by the end of 2003 and the formation of a supervisory committee to ensure compliance with the goals of the Fiscal Pact. In June 2000, the signatories to the Fiscal Pact signed the Political Agreement for Peace Program Financings, which includes specific tax measures and a detailed implementation schedule to achieve these goals.

Gross Domestic Product and Structure of the Economy

The Guatemalan economy is estimated to have grown at a real rate of 3.0% in 2012 (4.1% by 2011), based on some internal and external factors such as the following:

- the economic performance of sectors such as agriculture, livestock, fishing and forestry, wholesale and retail trade, private services, and public administration and defense. These activities represent 80.0% of the GDP growth rate;
- the projection that all economic activities will register positive growth rates, although less than the previous year (except Public Administration and Construction, which is expected to be higher than recorded in 2011).
- a slowdown of domestic demand due to a moderate rate of growth in private expenses, attributed to uncertainty in advanced economies such as United States and the European Zone;
- increased of public expenses associated with the payment of wages and purchases of goods and services by the Central Government;
- the expected growth of foreign direct investment;
- fiscal discipline and stable monetary policy;
- expectations of stability in general price levels; and
- moderate growth in exports and imports.

The following tables set forth GDP by expenditures, both in levels and as percentage of total GDP for the years indicated:

Gross Domestic Product by Expenditure
(in millions of Q and as % of total GDP)

	2006		2007		2008		2009		2010(1)		2011(1)		2012(2)	
	Q	%	Q	%	Q	%	Q	%	Q	%	Q	%	Q	%
Private expenditure:														
Private consumption	201,705.6	87.8	228,460.8	87.3	264,134.4	89.3	264,614.8	85.9	286,736.9	86.1	313,317.4	85.7	335,617.8	85.9
Private investment	39,092.6	17.0	41,877.9	16.0	43,719.8	14.8	34,984.0	11.4	38,863.8	11.7	44,632.7	12.2	48,861.7	12.5
Change in inventory	1,646.6	0.7	3,254.9	1.2	(4,527.3)	(1.5)	(6,396.5)	(2.1)	(2,972.0)	(0.9)	(1,404.7)	(0.4)	191.7	0.0
Total private expenditure	242,444.9	105.5	273,593.7	104.5	303,327.0	102.5	293,202.3	95.2	322,628.7	96.9	356,545.4	97.5	384,671.2	98.4
Public expenditure:														
Public consumption	19,237.2	8.4	22,663.3	8.7	26,667.7	9.0	31,348.0	10.2	34,894.4	10.5	38,262.4	10.5	41,947.1	10.7
Public investment	7,122.1	3.1	9,394.9	3.6	9,336.5	3.2	11,611.2	3.8	10,460.7	3.1	10,160.5	2.8	8,657.2	2.2
Total public expenditure	26,359.3	11.5	32,058.3	12.2	36,004.2	12.2	42,959.2	13.9	45,355.1	13.6	48,422.9	13.2	50,604.3	13.0
Gross national expenditures	268,804.2	117.0	305,652.0	116.8	339,331.2	114.7	336,161.5	109.2	367,983.8	110.5	404,968.3	110.7	435,275.4	111.4
Exports of goods and services	57,302.1	24.9	66,919.7	25.6	73,134.3	24.7	73,836.2	24.0	85,947.6	25.8	99,141.4	27.1	98,675.8	25.3
Imports of goods and services	(96,270.2)	(41.9)	(110,811.5)	(42.3)	(116,594.0)	(39.4)	(102,031.2)	(33.1)	(120,819.1)	(36.3)	(138,349.6)	(37.8)	(143,211.8)	(36.7)
Gross domestic product	229,836.1	100.0	261,760.1	100.0	295,871.5	100.0	307,966.6	100.0	333,112.3	100.0	365,760.2	100.0	390,739.5	100.0

(1) Preliminary data.
(2) Estimated data.
Source: Bank of Guatemala.

The following table sets forth investments and savings as a percentage of GDP for the years indicated.

Investments and Savings
(as % of GDP)

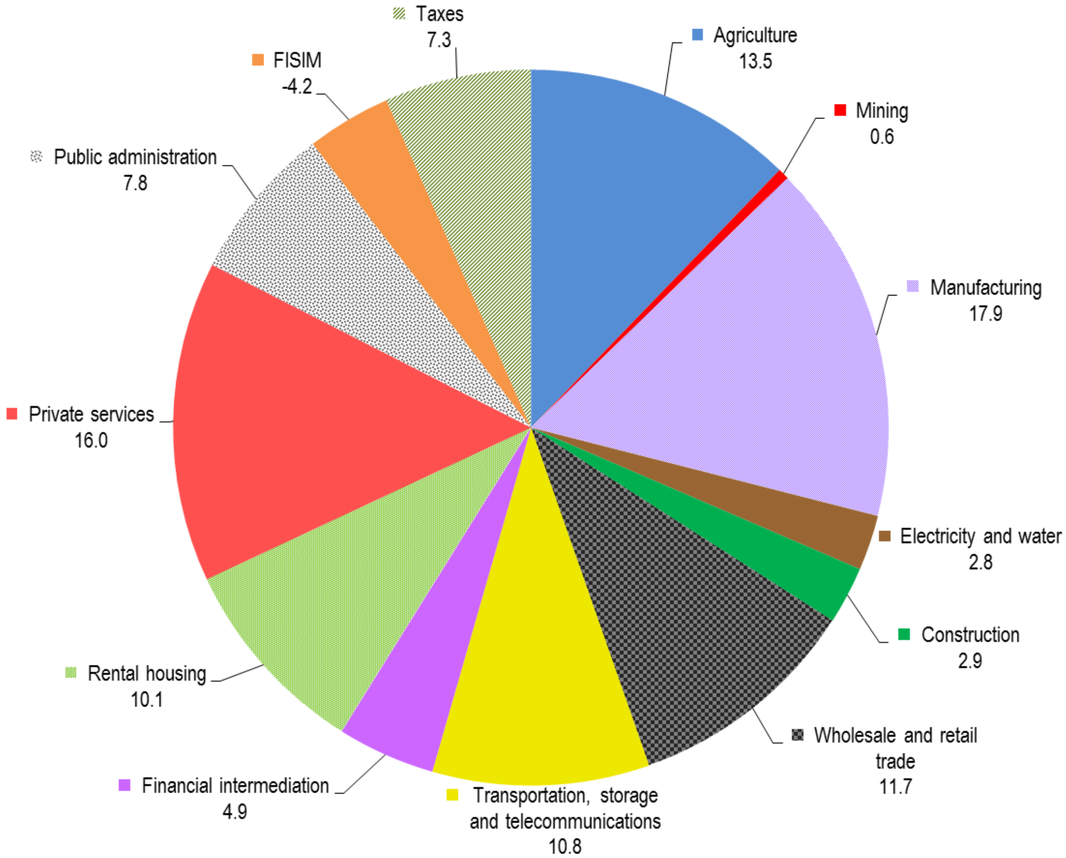
	2006	2007	2008	2009	2010(1)	2011(1)	2012(2)
Gross domestic investments	20.8%	20.8%	16.4%	13.1%	13.9%	14.6%	14.8%
Domestic savings:							
Public savings	4.0	3.7	2.9	0.8	0.5	0.6	0.5
Private savings	11.8	11.8	9.0	12.3	11.9	10.9	10.8
Total domestic savings	15.8	15.5	11.9	13.1	12.4	11.5	11.3
External savings	5.0	5.3	4.5	(0.0)	1.5	3.1	3.5
Total savings	20.8%	20.8%	16.4%	13.1%	13.9%	14.6%	14.8%

(1) Preliminary data.
(2) Projected data.
Source: Bank of Guatemala.

Main Economic Activities

The principal economic activities in Guatemala are manufacturing; private services, agriculture, livestock, fishing and forestry; and wholesale and retail trade. The following chart presents the contribution of each sector of the Guatemalan economy to GDP in 2012 (based upon projected data).

Main Economic Activities (As a % of GDP for 2011)(1)



(1) The discrepancy between the main aggregates and the sum of its components is due to the statistical use of chain indices.
(2) "FISIM" means Financial Intermediation Services Indirectly Measured.
Source: Bank of Guatemala.

The following tables set forth the distribution of real GDP by economic sector as a percentage of real GDP for the years indicated, and annual growth of real GDP by sector.

Gross Domestic Product by Economic Sector
(in millions of Q at real prices and as % of real GDP at real prices)

	2006		2007		2008		2009		2010[1]		2011[1]		2012[2]	
	Q	**%**	**Q**	**%**	**Q**	**%**	**Q**	**%**	**Q**	**%**	**Q**	**%**	**Q**	**%**
Primary production:														
Agriculture, livestock, fishing and forestry	23,842.4	13.6	25,244.1	13.5	25,467.6	13.2	26,436.4	13.6	26,370.3	13.2	27,536.4	13.2	28,815.4	13.5
Mining and quarries	1,138.1	0.6	1,296.4	0.7	1,240.7	0.6	1,282.1	0.7	1,327.3	0.7	1,598.6	0.8	1,213.3	0.6
Total primary production	25,006.2	14.2	26,701.4	14.3	26,770.6	13.9	27,771.6	14.3	27,830.7	13.9	29,747.9	14.3	29,427.5	13.8
Secondary production:														
Manufacturing	33,472.4	19.1	34,490.9	18.5	35,183.9	18.2	34,863.2	18.0	36,029.2	18.1	37,167.2	17.9	38,337.1	17.9
Power and water	4,586.5	2.6	4,875.8	2.6	4,952.7	2.6	4,985.7	2.6	5,224.4	2.6	5,522.9	2.7	5,898.8	2.8
Construction	6,936.9	3.9	7,548.4	4.0	7,512.7	3.9	6,704.2	3.5	5,934.0	3.0	6,027.4	2.9	6,118.8	2.9
Total secondary production	44,961.8	25.6	46,975.7	25.2	47,669.1	24.7	46,368.1	23.9	46,744.9	23.4	48,216.5	23.2	49,779.9	23.3
Services:														
Wholesale and retail trade	21,681.7	12.3	22,562.7	12.1	23,004.7	11.9	22,486.6	11.6	23,322.8	11.7	24,200.9	11.6	24,977.9	11.7
Transportation, storage and telecommunications	14,146.1	8.1	17,377.0	9.3	19,905.5	10.3	20,412.7	10.5	20,995.7	10.5	22,025.3	10.6	23,126.8	10.8
Financial intermediation, insurance and ancillary activities	6,763.7	3.8	7,432.2	4.0	8,010.2	4.2	8,331.2	4.3	8,608.1	4.3	9,195.5	4.4	10,428.1	4.9
Rental housing	17,875.6	10.2	18,571.1	9.9	19,231.8	10.0	19,831.3	10.2	20,415.4	10.2	20,999.5	10.1	21,632.6	10.1
Private service	26,868.5	15.3	28,651.5	15.3	30,489.4	15.8	30,822.0	15.9	31,966.5	16.0	33,155.2	16.0	34,151.1	16.0
Public administration and defense	11,294.0	6.4	11,812.0	6.3	12,321.7	6.4	13,899.0	7.2	15,166.1	7.6	15,961.0	7.7	16,642.4	7.8
Total services	97,691.6	55.6	104,848.4	56.1	110,692.7	57.4	112,988.8	58.3	117,639.1	59.0	122,492.7	58.9	127,471.8	59.6
(-) Financial Intermediation Services Indirectly Measured (FISIM)	(5,917.8)	(3.4)	(6,702.6)	(3.6)	(7,118.3)	(3.7)	(7,615.3)	(3.9)	(7,796.4)	(3.9)	(8,274.4)	(4.0)	(9,001.5)	(4.2)
(+) Taxes less subsidies on products	13,571.7	7.7	14,465.2	7.7	14,286.4	7.4	13,779.1	7.1	14,574.0	7.3	15,171.5	7.3	15,626.7	7.3
Total GDP[3]	175,691.2	100.0	186,766.9	100.0	192,894.9	100.0	193,909.6	100.0	199,552.3	100.0	207,832.5	100.0	213,996.1	100.0

(1) Preliminary data.
(2) Projected data
(3) The discrepancy between main aggregates and the sum of its components is due to the statistical use of chain indices.
Source: Bank of Guatemala.

Growth of Real Gross Domestic Product by Sector
(% change from previous year)

	2006	2007	2008	2009	2010[1]	2011[1]	2012[2]
Primary production:							
Agriculture, livestock, fishing and forestry	1.3	5.9	0.9	3.8	(0.2)	4.4	4.6
Mining and quarries	17.6	13.9	(4.3)	3.3	3.5	20.4	-24.1
Total primary production	2.6	6.8	0.3	3.7	0.2	6.9	-1.1
Secondary production:							
Manufacturing	3.8	3.0	2.0	(0.9)	3.3	3.2	3.1
Power and water	3.0	6.3	1.6	0.7	4.8	5.7	6.8
Construction	13.1	8.8	(0.5)	(10.8)	(11.5)	1.6	1.5
Total secondary production	5.4	4.5	1.5	(2.7)	0.8	3.1	3.2
Services:							
Wholesale and retail trade	3.9	4.1	2.0	(2.3)	3.7	3.8	3.2
Transportation, storage and telecommunications	18.6	22.8	14.6	2.5	2.9	4.9	5.0
Financial intermediation, insurance and ancillary activities	16.1	9.9	7.8	4.0	3.3	6.8	13.4
Rental housing	2.7	3.9	3.6	3.1	2.9	2.9	3.0
Private Service[3]	5.5	6.6	6.4	1.1	3.7	3.7	3.0
Public administration and defense	5.3	4.6	4.3	12.8	9.1	5.2	4.3
Total services	6.5	7.3	5.6	2.1	4.1	4.1	4.1
(-) Financial Intermediation Services Indirectly Measure (FISIM)	16.7	13.3	6.2	7.0	2.4	6.1	8.8
(+) Taxes less subsidies on products	5.7	6.6	(1.2)	(3.6)	5.8	4.1	3.0
Total GDP	5.4	6.3	3.3	0.5	2.9	4.1	3.0

(1) Preliminary data.
(2) Projected data.
(3) Includes health, recreational services and hotels.
Source: Bank of Guatemala.

Primary Production

Agriculture, Livestock, Fishing and Forestry

Guatemala's favorable weather conditions and its wide range of altitudes and microclimates facilitate the production of a great variety of raw materials or feedstock. Consequently, 26% of its territory (108,889 km2) is suitable for traditional crops such as coffee, bananas, cardamom, and sugar cane, and for non-traditional crops such as fruits and vegetables. There is also production of grains, especially corn, beans and rice, which are linked closely to Guatemalans' traditional diet.

This sector is a very important branch of the Guatemalan´s economy. Since 2011 it has represented more than 13% of GDP. During 2010-2011, Agriculture represented, based on total foreign exchange earnings of exports, 38% of primary products (sugar, coffee, bananas and cardamom) which combined with other agricultural products (fruits, flowers, vegetables, sesame, honey , etc.) represented approximately 50% of GDP.

The contribution of the agricultural, livestock, fishing, and forestry sectors to GDP was 13.2% in 2010. Between 2006 and 2011, these activities observed an average growth rate of 2.7%. During this period, agricultural activities were affected by various weather phenomena, which mainly affected the southern coast in 2009, and resulted in one of the more pronounced droughts that has been observed in the departments in the east of the country and the Pacific coast. In 2010, the eruption of a volcano near Guatemala City and a powerful tropical storm caused loss of life, disrupted transportation and commerce, and also damaged public infrastructure and agricultural crops.

In 2011, the agricultural, livestock, fishing, and forestry contribution to GDP was 13.2%. These activities demonstrated an average growth rate of 4.4% (-0.2% in 2010). This behavior is associated with the recovery of some planting areas that were damaged by weather events that occurred in 2010, in particular, traditional crops (coffee, bananas, cardamom) and non-traditional products (grains, vegetables and fruits).

The increase of this economic activity (from 4.4% in 2011 to 4.6% in 2012) is explained by the increased performance in the production of traditional crops (coffee, bananas and cardamom) compared with the previous year. Other non-traditional crops, particularly fruits and vegetables, are expected to experience a slight contraction in external demand.

The following tables set forth information regarding the production of certain products in the agricultural sector for the years indicated.

Gross Value Added of Selected Primary Goods Production
(in millions of Q, at real prices)

	2006	2007	2008	2009	2010(1)	2011(1)	2012(2)
Coffee	1,672.0	1,729.6	1,773.5	1,721.9	1,713.4	1,839.4	1,892.1
Bananas	2,447.4	2,884.6	2,891.2	3,369.9	3,187.7	3,457.1	3,709.9
Cardamom	1,049.8	986.7	789.4	844.6	842.5	978.6	1,322.3
Sugar cane	1,426.0	1,591.0	1,628.7	1,686.6	1,659.2	1,884.4	1,952.5
Cereals	2,762.8	2,798.8	2,946.4	2,795.7	2,815.4	2,878.8	2,961.5
Vegetables	4,409.8	4,586.8	4,686.1	4,799.9	4,812.4	4,989.1	5,139.6
Fruits	1,246.8	1,446.1	1,317.5	1,597.6	1,448.7	1,510.2	1,457.9
Livestock, forestry and fishing	7,416.6	7,776.6	8,020.5	8,184.4	8,408.9	8,641.8	8,863.0

(1) Preliminary data.
(2) Projected data.
Source: Bank of Guatemala.

Gross Value Added of Selected Primary Goods Production
(% change from previous year, at real prices)

	2006	2007	2008	2009	2010(1)	2011(1)	2012(2)
Coffee	2.4	3.4	2.5	(2.9)	(0.5)	7.4	2.9
Bananas	(5.5)	17.9	0.2	16.6	(5.4)	8.5	7.3
Cardamom	(1.5)	(6.0)	(20.0)	7.0	(0.2)	16.2	35.1
Sugar cane	(5.8)	11.6	2.4	3.6	(1.6)	13.6	3.6
Cereals	1.4	1.3	5.3	(5.1)	0.7	2.3	2.9
Vegetables	1.1	4.0	2.2	2.4	0.3	3.7	3.0
Fruits	6.6	16.0	(8.9)	21.3	(9.3)	4.2	(3.5)
Livestock, forestry and fishing	3.9	4.9	3.1	2.0	2.7	2.8	2.6

(1) Preliminary data.
(2) Projected data.
Source: Bank of Guatemala.

Coffee

Guatemala is one of the leading producers of Arabica coffee in the world. Almost all of the Guatemalan coffee exports are of this kind. In addition, 72% is strictly “hard,” which means that it is a quality product that is produced in plantations which are located at the highest elevations of the country. Its price is determined on the basis of supply and demand and its sales are made by auction in the international market.

The production of coffee has shown a steady growth, which has been influenced mainly by the international price of the grain; however, in 2009 and 2010 there was a drop in production, joined with falling international prices in 2009 and several weather phenomena that affected the crop area in 2010.

The estimated growth rate in the production of coffee for 2011 was 7.4%, which has been mainly influenced by the international price of the grain and the recovery of crops that were damaged by weather phenomena that took place in 2010. In 2012, coffee production is expected to grow 2.9% compared to 2011, principally due to lower international grain prices.

Guatemala is vulnerable to declining international prices, due to high production by Brazil and Vietnam. During the first ten months of the coffee year, Guatemala exported 209,763.50 kilograms of coffee. On this basis, it estimated maximum exports of U.S. $ 1,000 million for the year 2012.

The following table shows coffee production, value of coffee exports, and the average price per *quintal* as of the agricultural years mentioned. Agricultural years are based on the seasonality prod of the production of the relevant agricultural product. The agricultural year for coffee takes place from October of one year to September of the following year.

Coffee Production and Prices

	2006	2007	2008	2009	2010	2011(1)	2012(2)
Production(3)	5,174.5	5,298.4	5,481.0	5,619.9	5,456.5	5,355.2	6,046.2
Export volume(3)	4,441.2	5,084.0	5,071.3	5,125.5	5,109.6	6,266.3	4,764.8
Value of exports (in millions of US$)	464.0	463.6	577.3	646.2	579.5	713.9	923.4
Price per quintal (in US$)(4)	104.3	104.4	113.6	127.4	113.1	139.5	193.8

(1) Preliminary data.
(2) Up to September.
(3) In thousands of quintales.
(4) Amounts reflect the average export price per *quintal* of coffee, not the average international price of coffee.
Source: Bank of Guatemala.

Bananas

Banana production fell in 2006 because of the establishment of a fee of €176.0 per ton, which resulted in a decline in the exports d to the European market.

In 2007, Ecuador (the world's largest banana producer and supplier) was not able to supply its usual share of the world market; this situation benefited some banana growers in the region of Rio Motagua due to increased international demand for this fruit.

In 2009, banana production in Guatemala recorded strong growth, influenced by higher foreign demand of the fruit, particularly from the United States, explained in part by the decrease in the production of Costa Rica and Panama.

In 2010, there was a drop in banana production caused by overflowing rivers and flooding of cultivated areas, due to different weather events that affected the country in that year.

In 2011, the main destinations for the export of Guatemalan bananas were the United States of America, where sales represented 90.6% of GDP, Iran, where sales represented 4.2% of GDP and El Salvador, where sales represented 3.1% of GDP.

The international price of bananas is rising and may be kept up by the low production of Colombia, Costa Rica, Honduras and Guatemala and high demand from the U.S. and Europe. As of November 2012, the price was relatively stable, just above US$970 per metric ton.

For 2012, banana production in Guatemala is expected to continue to increase following an increase of 5.1% in 2011, as a result of the return to normal production levels following the effects of negative weather conditions in 2010.

Cardamom

The production of cardamom has been promoted mainly by global demand and international prices. The lowest growth rate reported within the 2006-2011 period was seen in 2008 (-20.0%), due to a drop in prices.

Cardamom seed hectares have not grown over the last five years, therefore, a maximum growth of 3% is estimated during the years 2012 and 2013.

Non-traditional products

From 2007 to 2009, non-traditional products reached growth rates of 5.9% and 4.2%, respectively. This performance was influenced mainly by the production of some fruits, specifically melons.

Secondary Production

Manufacturing

The three main activities within this sector are food, beverages, and tobacco, which in 2012 represented about 43.0%; textiles, clothing, leather, and footwear, with a weight of 22.0%; and other manufactured products, comprising around 35.0% of the total.

From 2006 to 2008, the value added in manufacturing grew by an average annual rate of 2.9%.

In 2009, the industry recorded a negative annual growth rate of -0.9% due to the effects of the global economic crisis. This decrease was associated with the sharp contraction in the production of textiles and clothing, reflecting a lower demand from the United States, the main destination for these goods. Also, there was a sharp decline in the production of industrial products related with the contraction in the construction industry.

In 2010, manufacturing activity contributed 18.1% to GDP. This performance is explained in part by the dynamism in the production of food, beverages, and tobacco; and by the recovery in the production of textiles, clothing, leather, and footwear, after negative variations recorded in 2009. Such behavior is associated with increased external and domestic demand for such products, associated with the recovery of both domestic economic activity and of Guatemala's major trading partners.

The manufacturing sector registered a rate of change of 3.2% during 2011 (3.3% in 2010). The relatively moderate growth was associated with a less dynamic production of food, beverages and tobacco, which was partially offset by an increase in the production of other products such as wood and glass products, ceramic, cement, concrete and other items of non-metal and metal products, machinery and equipment, among others. In addition, these goods were influenced by a higher foreign demand for such products, as well as a recovery of intermediate demand for products intended for the construction.

In 2012, the manufacturing sector was estimated to grow at a rate of 3.1% (3.2% in 2011) principally due to a slowdown in the production of textiles and clothing, as well as slower growth in the production of other manufactured products (paper products, chemicals, glass and cement). This was principally due to weaker domestic and external demand for those products during the year.

The following tables set forth information regarding selected manufacturing production for the years indicated.

Gross Value Added in Manufacturing
(in millions of Q, at real prices)

	2006	2007	2008	2009	2010(1)	2011(1)	2012(2)
Food, beverages and tobacco	13,738.4	14,251.0	14,672.0	14,930.4	15,391.7	15,931.1	16,686.0
Textiles, clothing, leather and footwear	8,321.7	8,334.2	8,320.3	7,556.8	7,923.1	7,761.7	7,719.7
Other manufactured goods	11,648.8	12,083.3	12,287.6	12,080.1	12,456.8	13,074.3	13,312.8

(1) Preliminary data.
(2) Projected data.
Source: Bank of Guatemala.

Gross Value Added in Manufacturing
(% change from previous year, at real prices)

	2006	2007	2008	2009	2010 (1)	2011 (1)	2012 (2)
Food, beverages and tobacco	2.9	3.7	3.0	1.8	3.1	3.5	4.7
Textiles, clothing, leather and footwear	2.7	0.2	-0.2	-9.2	4.8	-2.0	-0.5
Other manufactured goods	5.6	3.7	1.7	-1.7	3.1	5.0	1.8

(1) Preliminary data.
(2) Projected data.
Source: Bank of Guatemala.

During the period of 2006-2010, the main export markets for manufactured goods were the United States and Central America; however, since 2007, exports to other countries have increased.

Between 2006 and 2008, exports of these products registered an average growth rate of 9.9%, while in 2009 they recorded a drop of 10.8%, reflecting a decline in demand from major trading partners, influenced by the global economic crisis.

In 2010, exports of manufactured products registered a growth rate of 19.2%, reflecting the recovery in foreign demand and in the global economic environment.

Electricity and Water

From 2006 to 2011, the average rate of growth in the electricity and water sector was 3.7%. This low rate has been influenced in part by the contraction in exports of electricity to El Salvador, which declined from 464.2MWh exported in 2004 to 88.2MWh in 2006, as a result of a law which established import and export quotas for energy in El Salvador.

In 2007, the growth rate for this sector was 6.3%, the highest within this period, resulting from an increase in domestic demand of electricity for intermediate and final use, derived from a more dynamic domestic economic activity. In that year, according to the Wholesale Market Administrator ("AMM"), two new geothermal plants in Chimaltenango and Amatitlán were incorporated to the national installed capacity.

In 2009, this industry observed a 0.7% rate of growth due to the slowdown in domestic demand for intermediate and final uses, which were the result of a slower growth in the domestic economic activity caused by the effects of the global economic crisis.

The electricity and water sector increased by 4.8% in 2010, mainly due to domestic demand being covered by imports from the interconnection Mexico-Guatemala, which currently operates for the purpose of supplying a less expensive energy system, displacing high-cost generators.

It is estimated that the rate of change in this sector was 5.7% in 2011. The recovery during this year is associated with an increase in electricity generation, as a result of higher domestic demand by households and firms, and also by regular operations of a hydroelectric plant that was affected by copious rainfalls in 2010.

In 2012, a rate of growth of 6.8% is estimated for this economic activity, stemming from the moderate economic growth during 2012.

Construction

Between 2006 and 2007, this sector registered an average growth rate of 11.0%. This growth can be explained by investments made in reconstruction due to damage caused by Hurricane Stan, the improvements made to La Aurora International Airport, and the infrastructure needed for proper operation of the Transmetro municipal transport system in Guatemala City.

From 2008 to 2010, this sector recorded a drop of 7.7%, due to the decrease reported in the construction of new buildings. This fall reflected a lower number of requested building permits, an increase in prices for construction materials, as well as decline in demand of credit to this sector. Construction contributed only 3.0% to the GDP in 2010.

In 2011, construction experienced a recovery with a growth rate of 1.6% (compared to -11.5% in 2010). Among the factors influencing positive growth in this sector: recovery in the number of authorized meters of construction for buildings, both residential and nonresidential; and the surge of informal construction, which has generated an increase in demand for construction materials. These factors have been offset by a decline in construction projects undertaken by the Central Government, in particular, in relation to the maintenance of road infrastructure.

It is expected that in 2012 construction will grow by 1.5%, principally due to the increase in the amount of residential and non-residential construction authorized during the second half of 2011.

Services

Within the services sector (60.4% of GDP in 2011), private services account for 16.0% of the GDP, followed by wholesale and retail trade (11.6%) and transport, storage and communications (10.6%); rental housing (10.1%); public administration and defense (7.7 %); and financial intermediation, insurance, and ancillary activities (4.4%.)

For 2012 the expected rate of growth was 3.0% (3.7% in 2011), which is mainly due to the expected moderate growth in demand for intermediate agricultural, industrial and commercial activities, an increase in major users of these such expected spending behavior of domestic and foreign tourists.

Private Services and Tourism

In 2011, the activity from private services maintained a growth rate of 3.7% (3.7% in 2010). Growth was underpinned by growing hospitality and tourism industry, which is being driven by the expansion of hotel and restaurant franchises in the country. In addition, there has been an increase in call center services, which continue to expand in the country. In contrast, real estate and leasing experienced lower growth rates.

Tourism has a significant effect on the services sector, particularly on wholesale and retail trade, private services and transportation. Guatemala receives significant revenues from tourists who are attracted by its Mayan culture, history and archeological sites, its colonial cities, jungles, mountains, and its tropical and temperate climates. Guatemala's major tourist destinations include Tikal, La Antigua Guatemala, Lake Atitlán and Chichicastenango. According to Community Tourism Alliance in Guatemala: "Nearly 15% of the eligible workforce is engaged in the tourism industry, an industry that comprises nearly one quarter of the national GDP.""

Wholesale and Retail Trade

Between 2006 and 2007, the wholesale and retail trade (11.8% of GDP in 2011) grew at an average rate of 4.1%, mainly explained by the positive performance in the production of manufactured goods and imports of traded goods.

In 2008, there was a loss of momentum which was reflected in a growth rate of 2.0%, associated with the global economic crisis.

This sector was heavily affected by the consequences of the global economic downturn in 2009, and registered a decline of 2.1%. This decrease was consistent with the slowdown in domestic economic activity, as well as the drop in imports of goods and services (-8.2 %).

In 2010, the growth rate was 4.4%, associated with the global economic recovery, the increase in the production volume of manufactured goods and the increase of imports. In 2011, this activity is expected to have grown at an estimated rate of 3.6%, influenced by an increase in imports of goods (in real terms), and also by the existence of a higher number of businesses dedicated to retail trade and by the opening of new shopping centers.

In 2011, the activity of wholesale and retail trade (with a share of 11.6% of GDP) associated with the evolution (in terms of volume) of agricultural activities and imports of goods grew by 3.8% (3.7% in 2010). To a lesser extent, the number of establishments engaged in retail chains, as well as the opening of new malls, contributed to the performance of this sector.

For 2012, it is estimated that there will be less growth in wholesale and retail trade with the change in rate from 3.8% in 2011 to 3.2% in 2012 principally due to the expected slowdown in imports of consumer goods, raw materials, as well as the gross value of production of agricultural and industrial goods that are designated for commercial activity.

Transportation, Storage and Telecommunications

The transportation, storage and communications sector accounted for 10.5% of GDP in 2010, and from 2006 to 2010, these activities recorded an average growth rate of 12.2%, influenced mainly by the dynamism of the telecommunications sector, which amounted to 73.1% of the whole sector during the four-year period.

According to the Telecommunications Superintendence of Guatemala, or SIT (Superintendencia de Telecomunicaciones de Guatemala), the dynamism in telecommunications has been explained by the rate of change of new telephone lines (not mobile), which increased from 4.5 million lines in 2005, and 7.2 million in 2006, to 18.1 million lines in 2010.

In 2009 and 2010, this activity showed a significant slowdown, due to the saturation of the mobile phone market in the country. In 2011, the transportation, storage and telecommunications sector is estimated to grow at a rate of 4.9% (it was 2.9% in 2010), boosted by the telecommunication sector which demonstrated a growth rate of 2.9% (and 1.9% in 2010). According to SIT, this behavior is explained by the fact that telephone companies are offering a higher number of services, such as internet services, data plans, social network plans, etc.

It is estimated that by 2012, this activity will register an increase in growth rate from 4.9% in the previous year to 5.0%. This trend is explained by the expected slowdown in the volume of cargo to be transported due to the expected slowdown in imports and exports of goods, as well as the gross value of production of the main activities requiring this service (manufacturing, agriculture and trade).

Rental Housing

Between 2006 and 2010, this sector recorded an average growth rate of 3.2%. However, since 2008 this sector has registered a lower growth rate in the number of meters of residential construction undertaken. Rental housing made up 10.2% of GDP in 2010. In 2011, this sector reported a growth rate of 2.9% (the same as in 2010), influenced primarily by the availability of a greater number of houses.

For 2012 it is estimated that there will be a slight increase from of 2.9% in the previous year to 3.0%, reflecting steady growth in the supply of housing for lease due to the expected improvement in the construction of residential buildings.

Financial Intermediation, Insurance and Ancillary Activities

From 2006 to 2010, financial intermediation services, which represented 4.3% of GDP in 2010, grew at an average annual real rate of 8.22%. From 2006 to 2007, these services grew at an average rate of 13.0% due to the increase seen in deposits, credit to the private sector, and profits of the banking sector. This performance was in line with economic activity during that period, which experienced the highest GDP growth rates in the last decade. In 2011, this activity grew at a rate of 6.8% (it was 3.3% in 2010). The main factor associated with this growth rate is the recovery of the demand for credit by the private sector. For 2012, growth is expected to register a higher rate of change of 13.4% (6.8% in 2011) due to the expected increase in banking credit availability to the private sector.

Public Administration and Defense

From 2006 to 2010, the public administration and defense activity, which represented 7.6% of GDP in 2010, grew at an average rate of 7.2%; and, from 2006 to 2008, it registered a slowdown of 4.7% as a result of slower growth in the total amount of wages paid by the Central Government.

This sector's behavior was more dynamic in 2009 and 2010, due in part to the implementation of a countercyclical fiscal policy motivated by the global economic crisis and its impact on the domestic economy, specifically through the creation of new jobs in the Ministry of Education, which implied that the average growth rate during those years was of 11.0%.

In 2011, this activity grew at a rate of 5.2% (it was 9.1% in 2010). This behavior has been influenced by the expected value added of the Central Government, which is consistent with the payments of wages for the Ministries and Secretaries.

With respect to 2012, it is expected that this activity will decrease from a rate of change 5.2% in 2011, to 4.3% which is associated with lower expected growth in the payment of wages by the Central Government, in particular, for the Ministry of Education.

Privatization and Role of the State in the Economy

The Government's economic policy seeks to adhere to free market principles, and the Government has traditionally refrained from intervening in the economy. Prior to 1996, the Government was involved primarily in the electricity and telecommunications sectors. In 1996, the Government created a Presidential Commission for the Modernization of the Executive Branch and Privatization (now called the Presidential Commission for the Reform of the State, Decentralization and Citizen Participation, or Modernization Commission).

Since 1999, the Modernization Commission has shifted its focus from privatizing state-owned agencies to decentralizing and modernizing governmental agencies, social services and pensions, deregulation, increased efficiency of governmental action and the privatization of certain state-owned entities. As an initial step towards privatization, in 1996 the Government enacted the *Ley General de Telecomunicaciones* (General Telecommunications Law), and the *Ley General de Electricidad* (General Electricity Law). These laws established a new legal and regulatory framework for these industries and aimed to increase competition in a de-monopolized, liberalized environment.

The Government is currently preparing a revival of its economic program with the private sector, which focuses on the following goals:

- promotion of exports and the improvement of the business environment and competition;
- enhancement of actions to improve the productivity and competition of small and medium enterprises; and
- development of public investment projects, tourism, housing and private sector alliances, through the *Ley de Participación Público Privada en Materia de Infraestructura* (Infrastructure Law on Public-Private Partnerships), which gives legal certainty to investments from the public and private sectors, that will allow the flow of monetary resources and benefit the sectors in order to increase their productivity and competitiveness, generating new jobs and tax revenues.

Telecommunications

In 1996, the Modernization Commission took steps to privatize the *Empresa Guatemalteca de Telecomunicaciones* ("GUATEL"), which was the state-owned telephone company. The General Telecommunications Law eliminated GUATEL's monopoly and permitted private firms to compete in long distance telephony, wireless communications, and cable television and satellite services through the grant of non-exclusive licenses, under the supervision of the Superintendence of Telecommunications.

GUATEL was privatized in 1998 through a process that involved transferring local telephone, long distance and cellular assets of GUATEL to *Telecomunicaciones de Guatemala, S.A.* ("TELGUA"), followed by an offering of 95% of the capital stock of TELGUA. In a second bidding round, the successful bidder was LUCA, S.A., which is now owned by *América Móvil, S.A. de C.V.*, an entity that was spun-off from *Teléfonos de México, S.A. de C.V.* LUCA, S.A. paid US$700.0 million for its shares of TELGUA. The Portillo administration filed a suit against LUCA, S.A., TELGUA and GUATEL, challenging the bidding process on the basis that the price paid for the privatized assets was insufficient. A settlement was reached on October 31, 2001.

Subsequent to the approval of the General Telecommunications Law, GUATEL, which operated a fixed line network, solicited bids for the construction of a cellular network. With the privatization of TELGUA, other telecommunications companies began to enter the Guatemalan market. In early 1999, TELGUA signed an agreement with 14 private telecommunications operators to provide international calling services and *Telefónica S.A.* set up operations in Guatemala in May 1999.As of November 29, 2012 the Superintendence of Telecommunications has 12 Local Network operators reporting lines in operation, three of them offer mobile phones services in addition to fixed-line phone services. *Telefónica Móviles Guatemala S.A.*, together with *Telecomunicaciones de Guatemala S.A.*, also compete directly with *Comunicaciones Celulares, S.A.*, the leading mobile telephone provider in Guatemala.

In 2011, the communications sector grew by 14.2% compared to 4.5% in 2010. In 2011, approximately 2,775,444 new telephone lines were operating, of which approximately 2,647,707 were mobile telephones and approximately 127,737 were fixed lines. According to information provided by Local Network operators, as of the first six months of 2012, the sector had decreased by 3.9% due to a decrease of 931,130 in operating mobile lines and an increase of 56,777 fixed lines, compared to the end of 2011.

Railroads

Another privatization project involves *Ferrocarriles de Guatemala*, Railroads of Guatemala, or "FEGUA," which owns the country's railroad infrastructure, comprising a trunk system connecting Guatemala City, the main ports of Puerto Santo Tomás de Castilla, and Puerto Quetzal, to the borders with Mexico, Honduras and El Salvador, with a total of approximately 486.5 miles (783 kilometers) of tracks. Partly due to competition from road transportation, FEGUA has not been operational in the last 23 years, and its physical infrastructure is in serious need of repair.

Following competitive bidding in June 1997, the Government awarded Railroad Development Corporation ("RDC"), a U.S. company, the rights to use such infrastructure along with rights of way along the tracks, which can be used for the construction of fiber optic and pipeline connections. The concession was granted for a 50-year period in exchange for a percentage of annual revenues.

Electricity

The privatization of the Government's interest in the electricity sector began in 1994 with the sale of generating facilities. In October 1996, Congress voted to reform the country's electric power market and allow the private sector to participate in a number of projects. In October 1997, the state-owned generating company *Instituto Nacional de Electrificación*, the National Electricity Institute, or "INDE," was divided into three separate companies with INDE becoming a holding company. In July 1998, the Government privatized the entire electricity distribution network with the sale of an 80% stake in *Empresa Eléctrica de Guatemala, S.A.*, the Electricity Company of Guatemala, or "EEGSA," which serves Guatemala City and the departments of Sacatepéquez and Escuintla, for US$520.0 million. EEGSA was purchased by an international consortium which included a subsidiary of TECO Power Services, a U.S. company, *Iberdrola Energía, S.A.*, a Spanish company, and *EDP-Electricidade de Portugal S.A.*, a Portuguese company. In October 2010, the international consortium sold its equity interest in EEGS to *Empresas Públicas de Medellín, ESP*.

In 1999, shortly after the sale of EEGSA, the Government privatized the two other subsidiaries of INDE, *Distribuidora de Electricidad de Occidente, S.A.* ("DEOCSA") and *Distribuidora de Electricidad de Oriente, S.A.* ("DEORSA"), for US$100.8 million. The net proceeds of this privatization were used for electric infrastructure development projects. The companies DEORSA and DEOCSA were created from the assets distributed by the Electrical Energy Distribution Company, the National Institute of Electrification, and Union Fenosa S.A. In 2010, the Spanish groups Gas Natural and Union Fenosa acquired DEORSA and DEOCSA and these were acquired in 2011 by the British investment fund ACTIS.

Energy consumption for the years 2009, 2010 and 2011 was 7,597.9 GWh, 7847.9 and 8161.0 GWh GWh representing an increase of 3.3% and an increase of 4.0% for the years 2010 and 2011. It is estimated that at the end of 2012, the power of energy consumption reached 8821.58 GWh. Additionally, there has been an increase in the rate of electricity coverage: whereas in the year 2011, 84.1% of the Guatemalan population had access to electricity compared to 82.7% in 2010. As of December 31 2012, a coverage rate of 85.2% is estimated.

EEGSA is the largest electricity provider in Central America, having distributed approximately 56.6% of Guatemala's power in 2011, followed by DEOCSA (24.8%) and DEORSA (18.6%).

The pricing policy for different sectors of the country depends on the rate range at which they are classified according to their consumption characteristics, thus each of these established rate ranges and their prices are on a tariff sheet approved quarterly by the National Commission of Electric Energy. In addition, the National Electricity Institute gives monthly a solidarity contribution under the range of social tariff, considering the income level of the population, in such matter, said people pay according to the following structure: i) extreme poverty with consumption from 0 to 50 kWh: Q0.5/kWh; ii) general poverty with consumption from 50 to 100 kWh: Q0.75/kWh; and consumption from 100 to 300 kWh: Q1.50/kWh, benefiting approximately 96% of the population with existing electric service.

Roads

In 2006, Guatemala had 9437.2 miles (l5, 187.7 kilometers) of roads; approximately 42.3% were asphalt roads. In the year 2011, Guatemala had 10,081.21 miles (16,224.1 kilometers) of roads, approximately 46% of which were asphalt.

In 1998, the Government awarded *Constructora Marhnos S.A. de C.V.*, a Mexican company, a 25-year concession to operate and maintain the Palín-Escuintla highway, an approximately 23 kilometer toll road. The Government is considering the possibility of attracting additional private investment in road infrastructure, possibly with the implementation of the *Ley de Alianzas para el Desarrollo de Infrastructura Económica* (Development of Economic Infrastructure Alliances Law) in infrastructure matters for the construction of toll roads as alternatives to over-crowded and insufficient public roads.

Airports

Guatemala has two major international airports, which are operated by the Government. The La Aurora airport is located in Guatemala City and has one runway of approximately 1.9 miles (2,987 meters). The Santa Elena Petén airport is located in the Department of Petén and has one runway of approximately 1.9 miles (3,000 meters).

Employment and Wages

The minimum wage is currently Q2,171.75 (US$274.83) per month with a guaranteed monthly incentive bonus of Q250.00. The minimum wage in the "maquila" sector is Q1,996.25 (US$252.2) per month with a guaranteed monthly incentive bonus of Q250.00. Employers are also required to make two additional annual payments, each equaling one month's wages. INE (the National Statistics Institute) does not compile employment information on a timely or detailed a basis as in most industrialized countries, and, accordingly, its data may not be as comprehensive. Most of INE's employment information is in the form of estimates because of a lack of data and methodology to compile definitive data. INE did not compile employment information during 2006, 2008 and 2009. INE's definitions of employment and open unemployment are based on the methodology developed by the International Labor Organization and the System of National Accounts of the United Nations. Open unemployment, as reported by INE, increased slightly from 2.5% of the economically active population in 2007, to 2.7% in 2012. Underemployment, as reported by INE, was 17.8% as of July 2012. Underemployed individuals are defined as those who are willing but unable to obtain full-time work (40 hours per week in the public sector and 48 hours per week in the other sectors). Underemployment based on other criteria may be significantly higher. Many individuals in the rural population make their livelihoods in subsistence farming, and may be classified as underemployed. Unemployment and underemployment may increase as persons displaced from Guatemala during the internal armed confrontation return to the work force or if demobilized forces are unable to find employment.

The following table sets forth information regarding the unemployment rate for the years indicated.

Employment and Wages

	2006	2007	2008	2009	2010	2011	2012
Total employed (in millions)(1)	N.A.	5.9	N.A.	N.A.	5.6	5.3	6.1
Open unemployment rate(2)	N.A.	2.5%	N.A.	N.A.	3.5%	4.0%	2.7%

(1) Encuesta Nacional de Empleo e Ingresos.
(2) Rate of unemployed persons as a percentage of the economically active population. When calculating the rate of unemployed persons, employed persons were those engaged in both formal and informal employment, such as unregistered workers.
N.A. Not Available
Source: INE estimates.

The following table sets forth information on employment by economic sector for the years indicated.

Employment
(% of total employment)

	December 31,						
	2006	2007	2008	2009	2010	2011	2012
Agriculture, livestock, fishing and forestry(1)	13.7	14.1	13.4	14.0	13.5	13.0	13.0
Mining and quarries	0.3	0.3	0.4	0.3	0.3	0.4	0.4
Manufacturing	17.2	16.1	14.9	13.8	13.8	13.3	13.3
Construction	3.0	2.8	2.3	1.9	1.6	1.5	1.5
Electricity and water	0.9	0.8	0.8	0.8	0.9	0.8	0.8
Transportation and telecommunications	3.3	3.3	3.2	3.2	3.3	3.3	3.3
Wholesale and retail trade	19.0	19.8	20.6	19.8	19.4	19.3	19.3
Private services(2)	42.6	42.9	44.4	46.2	47.2	48.4	48.4

Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(1) Includes agro-industry
(2) Includes IGSS, and State: budget, payroll and supernumerary.
(3) Estimated data.
Source: Instituto Guatemalteco de Seguridad Social (Guatemalan Social Security Institute, or IGSS).

Informal Economy

The Guatemalan economy has a significant "informal sector" that provides employment to many people, including a significant number of women. The term "informal sector" refers to economic activities that take place outside of the formal norms of economic transactions established by the state or developed through formal business practices. The informal sector (approximately 70% of the economically active population) includes small businesses that are the result of individual or family initiatives. It generally involves the production and exchange of legal goods and services without the appropriate business permits, without reporting tax liability, without complying with labor regulations, and without legal guarantees for suppliers and end users. The Government does not maintain official statistics on the informal sector but estimates that a substantial part of the population works in this sector.

Poverty and Income Distribution

Poverty in Guatemala results primarily from unemployment and underemployment, marked class disparities in access to education, health care and jobs, and significant differences in income between skilled and unskilled workers. Guatemala's per capita GNI for 2010 and 2011 were of US$2,740 and US$2,870 according to the World Bank. Poverty has also been exacerbated by the lack of an adequate social security system, although this problem has partially been offset by the availability of low wage employment in the public sector.

Between 2008 and 2011, the following measures were taken to alleviate poverty:

- Investing in preventive health care including rehabilitation and nutrition for widows and orphans, with a particular focus on pregnant women and small children. For this purpose, the program *Mi Familia Progresa* was created, registering 887,972 families, benefiting 2.5 millions of children and young people.

- Regarding education, expenditures for education, science and culture were increased by more than Q3.8 million compared to 2007, including the establishment of 2,620 pre-primary schools, 964 primary schools, 1,603 middle schools and 311 high schools were established, totaling 12,551 educational centers of preprimary level, 16,026 of primary level, 2,952 of middle level and 510 of high school level. In 2011, 27,619 new teachers of all educational levels were hired. 89,000 people learned to read. This effort was reflected in the fact that 12 municipalities were declared free of illiteracy.

- In 2011, social expenditures were increased exceeding Q1,072 million compared to 2007.

- Through the *Fondo Guatemalteco para la Vivienda*, the Guatemalan Fund for Housing, or "FOGUAVI," subsidies were channeled to families for access to proper housing solutions. During the period, 70,779 housing subsidies were awarded in the amount of Q1,118 million.

- In social security issues, the country also registered progress. After 64 years of existence, it was only in 2010 that the Guatemalan Social Security Institute ("IGSS") achieved expanding all of its programs to cover the entire national territory.

- An Inter-institutional Commission on Social Cohesion was created through Governmental Decree No. 79-2008, to consider issues such as inequality and provide a more comprehensive autonomous context to social policies. Its activities include the treatment of problems related to poverty, inequality and social exclusion by identifying and evaluating situations that require the special attention of the State.

Actions to reduce poverty in 2012:

In 2012, MIDES was established and is now operating as the executive branch agency that is responsible for public policies aimed at improving the welfare of people and vulnerable social groups suffering exclusion and living in poverty. The creation of MIDES institutionalized social protection strategies, encouraging greater transparency, targeting and expansion of social programs and effective accountability in social matters. Main programs implemented by the MIDES were:

- “My Assured Bonus” Program: with 757,765 users. Six health bonuses, equivalent to Q150.00, each delivered to 390,647 families with pregnant women, infants and children up to six years old who attend training programs services. 440,637 educational bonuses delivered to families with children between 6 and 15 years old, attending kindergarten or elementary school. 358,460 families using the program in the eight municipalities affected by the earthquake, received calamity aid equivalent to Q165.00.

- “ My Assured Bag” Program: 157,500 families using the assured bag program in poor urban areas of Guatemala receive a bag of food on a regular basis. 95,900 families affected by crisis, emergency or natural disaster benefit with a bag of food that satisfies much of their nutritional monthly needs.

- “Assured Dining” Program. Thirteen operating dining rooms that served over 3 million meals. More than 155,000 meals delivered in the wake of the earthquake.

- “My Assured Scholarship” Program: 13,759 scholarships granted;

- “Young Protagonists” Program: 53,780 users in 15 municipiums of the Republic. 462,575 teenagers and youths participate in 470 different workshops.

- “Secure and Safe Seniors” Program: A subsidy for seniors was granted to the Association of Urban Bus Company of Guatemala for the eldercare support of more than 120,000 seniors.

- Emergency Assistance Program: In addition to the calamity bonus and food assistance, the MIDES helped in creating safe spaces for children, in which they conducted the program: Return to Joy. 120 young people were trained by the UNICEF with educational and fun activities as playgroups, drawings and songs, to support children affected by the earthquake.

Social Security

Social security benefits are constitutionally guaranteed to workers and their families, and are intended to provide assistance in case of accident, illness, maternity, disability, old age and death. The social security system for private workers is administered by the IGSS, a public sector entity. Public sector workers are covered through a Government pension system.

Participation in the social security system is mandatory, and the system is financed by contributions from the Government, employers and employees. For the Disability, Old Age and Life Insurance Program, employees contribute 1.83% of their salary, employers contribute 3.67% of their total payroll and the Government contributes 25.0% of the system’s annual pension payments. For the *Programa de Enfermedad, Maternidad y Accidentes* (Illness, Maternity and Accident Program), employees contribute 3.0% of their total salary, employers contribute 7.0% of their total payroll and the Government contributes 3.5% of the payroll. The Government’s contribution, both in its official capacity and as an employer, is determined annually by the executive branch in accordance with the technical studies of the IGSS.

The Disability, Old Age and Life Insurance program is governed by a scaled premium system, which involves periods of stabilization of the premium priced, currently at 5.5%. This system allows the return on reserves to fund expenditures for the period.

It is estimated that at December 31, 2012 there were 1,183,563 taxpayers. IGSS registered 123,847 new formal employments in 2012 (Representing a variation of 20.7% compared to November 2011). Approximately 1.6 million additional individuals received assistance as family members of contributing workers, receiving retirement pension payments, or as non-contributing members. Individuals who received assistance represented approximately 11.1% of the nation’s total population.

Environmental Policy

Guatemala’s environmental problems include pollution, solid waste disposal, deforestation, pesticides, lack of environmental regulation for industry, and the contamination of rivers and lakes. Guatemala has initiated a Campaign to Protect Guatemalan Life with the objective of strengthening enforcement of existing environmental laws. The Government has also created a protected Mayan Biosphere in Petén.

With the signing of the Agreement on Socioeconomic Issues and Agrarian Situation with the URNG on May 6, 1996, the Government undertook an initiative to provide environmental education, improve environmental health, design urban policy with a view towards environmental protection and promote sustainable management of environmental resources. The Government has proposed an environmental policy consisting of the following main objectives:

- developing a conservationist culture to protect natural resources and the quality of the environment;
- developing an economic culture to take advantage of sustainable natural resources and to preserve the quality of the environment;
- strengthening legal protection of the environment; and
- reducing pollution.

Currently, there are 8 environmental policies in effect promoting conservation and sustainable use of natural resources and the environment through the participation of myriad stakeholders and actors, and sustainable economic development.

The *Ministerio de Ambiente y Recursos Naturales-MARN*, the Ministry of Environment and Natural Resources, or "MARN," was created in January 2001 with a mandate to administer environmental laws and to promote protection of the environment. Guatemala has signed and ratified several international agreements, such as the United Nations Framework Convention on Climate Change and the Kyoto Protocol.

The strategic policy guiding the development of the country is the focus on the management and sustainability of the country's natural resources, while contributing to human development and complying with the provisions stipulated in the Constitution of the Republic of Guatemala.

The assessments and researches conducted by MARN conclude that natural events, poor agricultural and forestry practices and inappropriate land uses exacerbate conditions and deteriorate the inhabitant's quality of life. This has an effect on environmental goods and services, particularly water resources, and results in losses in the natural ecosystems and increases the soil erosion process.

MARN has established the Climate Change Policy, which aims at achieving the Millennium Development Goals with an emphasis on poverty reduction. The policy's scope includes reducing greenhouse gas emissions, vulnerability, and increasing the capacity for adaptation, mitigation and resilience against the climate change.

Several international agreements, like the Millennium Development Goals and the Paris Declaration, were developed on aid effectiveness and signed in 2005, as well as the Accra Agenda for action in 2008. These establish the Government commitments to increase national policies and plans aimed at reducing poverty and inequality and enhancing sustainable development and achievement of results. In addition, donor countries pledged to align their assistance with policies, plans, institutions, systems and procedures of aid-recipient countries. This framework was developed in the Antigua Declaration between the Government of Guatemala and the Donor Countries Group, also known as G-13, and signed in the city of Antigua Guatemala on May 2008. This Statement establishes the agreements and initiatives to advance the aid effectiveness to the country, supported by the Paris Declaration. The Antigua Declaration II signed in November 2008 prioritized rural and environmental development. The Guatemalan Government G-13 agreed to implement the principles of the Declaration of Paris in selected sectors. According to these commitments, the Environmental and Water industry, under the leadership of MARN, was selected as the governing body for the environment and natural resources, the Technical Cabinet Secretary of Water, accompanied by the Ministry of Finance, the Secretary of Planning and Programming of the Presidency and the Ministry of Foreign Affairs, proposed to begin implementing a sectoral approach and results-oriented management through the development of a Multi-Annual Sector Plan for the Environment and Water 2011-2013.

The Climate Change Interagency Commission was created as a result of the negative fiscal effect of climate variability. The main objective is to propose national policies, strategies and actions aimed at adapting and mitigating climate change.

Currently, the following legislative proposals are still pending approved by the Congress of the Republic of Guatemala:

- Legislative proposal which shall approve the Biodiversity Law and Protected Areas.
- Legislative proposal which shall approve the Law which states as Protected Area the Area of multiple uses of Hawaii.
- Legislative Proposal which approves the Law of Creation of the Category of administration for indigenous collective management areas or of the community.

Guatemala is considered a carbon sink country, its absorptions of CO2 are greater than its emissions, not only it absorbs 100 of its emissions but also it is capable to absorb global emissions. As of December 31, 2011, the Executive Board of Clean Development Mechanisms has registered eleven projects in Guatemala, which jointly could obtain 864,760 Certificates of Emissions Reduction annually (each certificate is equivalent to one ton of CO2). The sale of such certificates is estimated to produce €6.5 million (US$4.2 million) per year.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

The balance of payments is used to record the value of the transactions carried out between a country's residents and the rest of the world. The balance of payments is composed of the current account and the capital account.

Current Account

The current account consists of:

- the trade balance (the difference in value of exports minus imports);
- net services; and
- private transfers.

From 2006 to 2008, the Guatemalan economy recorded current account deficits of around 5.0% of GDP. In 2006, DR-CAFTA came into force, allowing increases in trade (in both exports and imports) between Guatemala and the United States. In 2009, there was a slight current account surplus, as a result of the decrease in imports caused by a much lower (although still positive) GDP growth rate following the global economic and financial crisis. This crisis began in late 2008 and deepened in 2009. It seriously damaged consumer and producer confidence globally and deteriorated growth expectations for the world economy. The main cause for the crisis was the burst of a real estate bubble in the US economy, followed by a global financial crisis, recessions in many economies, and drops in industrial production, consumption, and investment. A recovery of the main items that make up for the current account occurred in 2011. This recovery is associated with the positive growth rates registered in foreign trade and remittances.

Regarding foreign trade, it is estimated that merchandise exports and imports grew 24.3% and 22.7%, respectively for 2011. The dynamism showed by exports is explained in part by the increase in prices and volume of the main export products. Moreover, during this year imports have been boosted by an increase in the domestic demand for capital goods, fuels and other raw materials. In 2012, imports increased by 2.0% and exports decreased by 3.5%.

The persistent shortfall in the net service balance, from 2006 to 2011, was caused mainly by the Transportation and Insurance item of the balance of payments. However, this result has been partially offset by surpluses in items such as other Services and Travel, reflecting a growing influx of tourists.

The rent balance is persistently in deficit mainly because of the external public debt service payments, as well as the remittance of profits and dividends by foreign firms.

In the period under analysis, the current account deficit was financed by capital inflows (both public and private.)

Capital Account

The capital account reflects direct investment and monetary flows into and out of a nation's financial markets.

Between 2006 and 2008, the balances of the capital and financial accounts are explained basically by greater inflows of both public and private capital, including public sector loans (to meet both current and capital expenditures), increases in foreign direct investment (mainly due to profit reinvestment, as a result of an improved business climate), and increases in private sector's external liabilities (encouraged by greater liquidity abroad).

However, the "Other Investment" item recorded a negative balance in 2009, following a drastic reduction in the external liabilities of both the banking sector and the non-financial private sector.

In 2010, the global economic recovery resulted in greater capital flows (public and private) and reestablished greater confidence by foreign firms who increased their rate of reinvestment in Guatemala.

In 2011, the capital and financial accounts are estimated from different factors such as an increase in capital inflows, a recovery in foreign direct investment and an increase in credit lines from abroad. The public sector increased its disbursements of loans from international financial organizations. In addition, it might display a decrease in liabilities of its portfolio investment (associated with payments of treasury bonds placed on the international market.)

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

Balance of Payments
(in millions of US$)

	2006	2007	2008	2009	2010	2011[1]	2012[2]
Current account:							
Trade balance:							
Exports (FOB):							
Traditional	1,294.2	1,620.4	1,920.9	1,994.3	2,337.1	2,918.1	2,823.5
Non-traditional	4,787.9	5,362.7	5,925.6	5,300.6	6,198.5	7,599.2	7,330.3
Total exports	6,082.1	6,983.1	7,846.5	7,294.9	8,535.6	10,517.3	10,153.8
Imports (FOB)	(10,934.4)	(12,470.2)	(13,421.2)	(10,643.1)	(12,806.5)	(15,481.7)	(15,784.0)
Trade balance	(4,852.3)	(5,487.1)	(5,574.7)	(3,348.2)	(4,270.9)	(4,964.4)	(5,630.1)
Services balance[3]	(259.6)	(310.0)	(276.1)	(158.8)	(89.7)	(145.5)	(86.7)
Rent (net)	(680.4)	(842.7)	(937.6)	(1,111.1)	(1,211.3)	(1,553.1)	(1,683.9)
Current transfers:							
Remittances	3,645.3	4,200.0	4,403.3	3,951.3	4,147.0	4,396.0	4,800.4
Foreign aid	625.9	658.3	602.9	568.4	695.2	687.8	729.1
Other	-3.0	-4.4	101.9	105.9	103.5	123.6	131.1
Total current transfers, net	4,268.2	4,853.9	5,108.1	4,625.6	4,945.7	5,207.4	5,660.6
Total current account	(1,524.1)	(1,785.9)	(1,680.3)	7.5	(620.2)	(1,455.6)	(1,740.1)
Capital and financial account:							
Capital account	142.2	0.0	1.1	1.0	2.5	2.6	1.9
Financial account:							
Central Bank	(1.5)	(0.2)	(3.1)	272.8	(0.6)	(2.4)	0.0
Public sector	326.2	232.5	120.6	521.2	611.9	37.3	742.6
Bonds, net	(30.1)	(160.4)	(1.2)	(12.3)	(5.5)	(325.0)	700.0
Loans	356.3	392.9	121.8	533.5	617.4	362.3	42.6
Disbursements	396.2	597.6	381.9	805.2	880.7	644.3	313.8
Amortization	(39.9)	(204.7)	(260.1)	(271.7)	(263.3)	(282.0)	(271.2)
Private sector, net:							
Foreign direct investment, net	551.6	719.7	737.4	573.7	782.3	967.4	1,228.4
Portfolio investment, net	(53.3)	(24.4)	63.4	(112.3)	(6.5)	(9.2)	26.7
Other investment, net	378.3	686.3	546.0	(1,050.7)	196.9	1,008.8	535.9
Total financial account	1,201.3	1,613.9	1,464.3	204.7	1,584.0	2,001.9	2,533.6
Total capital and financial account	1,343.5	1,613.9	1,465.4	205.7	1,586.5	2,004.5	2,535.5
Errors and omissions	432.6	388.3	547.6	259.6	(283.6)	(343.1)	292.4
Change in reserve assets[4] [5]	252.0	216.3	332.7	472.8	676.9	205.9	500.6
Current account balance (as % of GDP)	(5.0)%	(5.2)%	(4.3)%	0.0%	(1.5)%	(3.1)%	(3.5)%

(1) Preliminary data.
(2) Estimated data.
(3) Includes net financial income/expense, tourism and other income and expenses.
(4) Represents the results of the balance of payments.
(5) Does not include price changes

Source: Bank of Guatemala.

Foreign Trade

Guatemala's external trade continues to be characterized by the export of agricultural commodities and the import of raw materials, consumer and capital goods, and intermediate products. In 2011, in terms of total exports value:

Traditional Exports

Coffee

Total coffee exports in 2011 were US$1,164.4 million; an increase of US$458.8 million (65.0%) more than in 2010 (US$705.6 million). In terms of volume, coffee exports in 2011 amounted to 6.3 million quintals (5.1 million quintals in 2010). The average coffee price in 2011 was US$185.83 per quintal, greater than the corresponding price in 2010 (US$138.08 per quintal). Such increase in the international price for coffee reflected a drop in world coffee production, which in turn was due mainly to climate change phenomena and natural disasters that occurred in countries that are the main coffee exporters, such as Brazil and Colombia.

Sugar

Sugar exports amounted to US$648.7 million in 2011; an increase of US$78.0 million (-10.7%) less than in 2010. In terms of volume, there was a -26.0% decrease from 2010 to 2011 (28.4 million quintals in 2011). The average sugar price in 2011 was US$22.81 per quintal, an increase from the corresponding price in 2010, which was US$18.91 per quintal. This increase in the international price for sugar was caused by a drop in production reported in Brazil due to excessive rain, and in India due to the occurrence of droughts.

Bananas

Banana exports in 2011 were worth US$472.5 million; an increase of US$122.9 million (35.2%) more than in 2010 (US$349.6 million). In terms of volume, banana exports in 2011 amounted to 32.8 million quintals (compared to 28.3 million quintals in 2010). The average banana price in 2011 was US$14.41 per quintal, greater than the corresponding price in 2010 of US$12.36 per quintal. The international price of bananas hurt Ecuador's exports, the main banana exporter worldwide, because it was unable to meet the global demand for bananas due to low rain levels. This in turn benefited the exports from Colombia and Guatemala, which were able to increase their exports.

Cardamom

Cardamom exports amounted to US$296.9 million in 2011, an increase of US$11.2 million (-3.6%) lower than in 2010. This is explained by the decrease in the international price for cardamom (from an average of US$630.46 per quintal in 2010 to US$562.43 per quintal in 2011), due to greater supply from India and Guatemala.

Oil

Oil exports amounted to US$335.4 million in 2011; that is US$88.2 million (35.7%) more than in 2010. Average export price for oil increased from US$62.07 per barrel in 2010 to US$95.03 per barrel in 2011. In terms of volume, however, exports in 2011 decreased by 0.5 million barrels from 2010 (4.0 million barrels) to 2011 (3.5 million barrels.)

Non-traditional Exports

Non-traditional exports (recorded as the "Other Products" item) and amounted to US$4,130.7 million in 2011; an increase of US$659.0 million (19.0%) more than in 2010 (US$3,471.7 million). This expansion is associated with two factors: an increase of 21.0% (US$258.1 million) in non-traditional exports that do not include exports made to Central America, and also an increase of US$400.9 million (17.9%) of exports that were made to the Central American region.

Exports (FOB) by Type of Product[1]
(in millions of US$ and as % of total exports)

	2006		2007		2008		2009		2010		2011[2]		2012[3]	
	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%
Traditional:														
Coffee	463.6	12.5	577.3	12.8	646.2	12.0	579.5	11.8	705.6	12.1	1,164.4	16.5	923.4	14.3
Sugar	298.6	8.0	358.1	7.9	378.1	7.0	507.7	10.3	726.7	12.5	648.7	9.2	723.0	11.2
Bananas	215.5	5.8	298.8	6.6	314.9	5.8	411.5	8.3	349.6	6.0	472.5	6.7	544.4	8.4
Oil	233.2	6.3	249.1	5.5	373.7	7.0	191.7	3.9	247.2	4.3	335.4	4.8	266.3	4.1
Cardamom	83.4	2.2	137.1	3.0	208.0	3.9	304.1	6.2	308.1	5.3	296.9	4.2	216.9	3.4
Total traditional	1,294.3	34.8	1,620.4	35.8	1,920.9	35.7	1,994.5	40.5	2,337.2	40.2	2,917.9	41.4	2,674.0	41.4
Non-traditional:														
Exports outside of Central America:														
Chemical products	145.6	3.9	156.6	3.5	192.7	3.6	176.2	3.6	202.4	3.5	217.5	3.1	187.7	2.9
Vegetables	32.1	0.9	43.2	0.9	46.3	0.9	54	1.1	46.8	0.8	68.6	1.0	62.1	0.9
Fruits and preparations	86.2	2.3	97.7	2.2	162.7	3.0	131	2.7	130.8	2.3	148.3	2.1	234.6	3.6
Natural rubber	92.7	2.5	108.3	2.4	125.8	2.3	85.7	1.7	120.1	2.1	163.5	2.3	94.8	1.5
Flowers and plants	45.5	1.2	51.3	1.1	46.1	0.9	49.6	1.0	60.2	1.0	64.2	0.9	65.7	1.0
Sesame seeds	15.9	0.4	19.1	0.4	14.9	0.3	18.2	0.4	23.5	0.4	17.5	0.3	12.0	0.2
Processed foods	77.1	2.1	111.7	2.5	195.7	3.7	132.8	2.7	160.4	2.8	255.6	3.6	263.3	4.1
Shrimp, fish and lobster	7.4	0.2	29.7	0.7	23.4	0.4	19.4	0.4	8.1	0.1	14.1	0.2	7.1	0.1
Other[4]	341.1	9.2	406.6	9.0	427.0	7.9	391.6	7.9	476.1	8.2	537.2	7.6	431.9	6.7
Total non-traditional exports to countries other than those located in Central America	843.6	22.7	1,024.2	22.7	1,234.6	23.0	1,058.5	21.5	1,228.40	21.2	1,486.5	21.1	1,359.2	21.0
Exports to Central America	1,577.6	42.5	1,875.4	41.5	2,220.9	41.3	1,867.4	38.0	2,243.3	38.6	2,644.2	37.5	2,431.5	37.6
Total non-traditional	2,421.2	65.2	2,899.6	64.2	3,455.5	64.3	2,925.9	59.5	3,471.7	59.8	4,130.7	58.6	3,790.7	58.6
Total exports	3,715.5	100.0	4,520.0	100.0	5,376.4	100.0	4,920.4	100.0	5,808.9	100.0	7,048.6	100.0	6,464.7	100.0

(1) These amounts do not include maquila production.
(2) Preliminary data.
(3) Up to November.
(4) Includes honey, tobacco, clothing, textiles, wood and glass.
Source: Bank of Guatemala.

Geographic Distribution of Exports (FOB)[(1)
(in millions of US$ and as % of total exports)

	2006		2007		2008		2009		2010		2011[2]		2012[3]	
	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%
North America:														
United States	991.6	26.7	1,141.30	25.3	1,373.60	25.5	1,197.10	24.3	1,300.30	22.4	1,799.70	25.5	1,721.3	26.6
Mexico	173.8	4.7	209.8	4.6	253	4.7	302.6	6.0	312	5.3	367.7	5.2	362.3	5.6
Canada	94.7	2.5	107.8	2.4	103.1	1.9	104.4	2.1	126.8	2.2	146.4	2.1	130.7	2.0
Total North America	1,260.1	33.9	1,458.9	32.3	1,729.7	32.1	1,604.1	32.6	1,739.1	29.9	2,313.8	32.8	2,214.3	34.2
Central America:														
Costa Rica	225.5	6.1	257.0	5.7	317.8	5.9	283.1	5.7	345.9	5.9	402.5	5.7	383.3	5.9
El Salvador	668.7	18.0	798.1	17.7	901.8	16.8	766.8	15.6	921.6	15.9	1041.0	14.8	939.1	14.5
Honduras	461.0	12.4	565.2	12.5	694.0	12.9	563.7	11.5	646.8	11.1	773.4	11.0	706.6	11.0
Nicaragua	222.4	6.0	255.1	5.6	307.3	5.7	253.8	5.2	329.0	5.7	427.2	6.0	402.6	6.2
Total Central America	1,577.6	42.5	1,875.4	41.5	2,220.9	41.3	1,867.4	38.0	2,243.3	38.6	2,644.1	37.5	2,431.6	37.6
South America:														
Argentina	1.8	0.0	3.8	0.1	4.3	0.1	2.2	0.0	2.2	0.1	5.9	0.1	2.6	0.0
Brazil	2.0	0.1	7.5	0.1	16.1	0.3	10.0	0.2	9.2	0.2	7.4	0.1	2.7	0.0
Colombia	15.0	0.4	17.3	0.4	18.3	0.3	12.4	0.3	29.2	0.5	23.2	0.3	24.0	0.4
Ecuador	3.7	0.1	7.4	0.2	9.0	0.2	6.4	0.1	24.2	0.4	10.7	0.2	8.5	0.2
Venezuela	20.6	0.6	33.5	0.7	11.1	0.2	13.3	0.3	60.3	1.0	57.6	0.8	59.7	0.9
Other South America	25.8	0.7	63.1	1.4	122.7	2.3	106.0	2.2	134.5	2.3	160.0	2.3	128.0	2.0
Total South America	68.9	1.9	132.6	2.9	181.5	3.4	150.3	3.1	259.6	4.5	264.8	3.8	255.5	3.5
Europe:														
France	7.9	0.2	8.6	0.2	29.2	0.5	7.0	0.1	11.3	0.2	21.3	0.3	9.0	0.1
Germany	67.9	1.8	75.9	1.7	67.7	1.3	61.4	1.2	83.9	1.4	134.5	1.9	94.3	1.5
Italy	26.8	0.7	37.1	0.8	58.5	1.1	45.1	0.9	56.1	1.0	93.8	1.3	75.8	1.2
Netherlands	72.7	1.9	57.3	1.3	93.8	1.7	97.8	2.0	80.5	1.4	117.1	1.7	145.8	2.3
Spain	10.1	0.3	13.6	0.3	13.7	0.3	11.0	0.2	11.8	0.2	29.8	0.4	22.2	0.3
United Kingdom	13.8	0.4	11.1	0.2	15.3	0.3	17.9	0.4	35.0	0.6	26.1	0.4	23.7	0.4
Other EU	47.6	1.3	72.4	1.6	76.4	1.4	67.0	1.4	86.9	1.5	145.6	2.1	98.7	1.5
Total EU	246.8	6.6	276.0	6.2	354.6	6.6	307.2	6.2	365.5	6.3	568.2	8.1	469.5	7.3
Other Europe	81.5	2.2	61.0	1.3	51.4	1.0	24.5	0.5	56.2	1.0	69.8	1.0	57.9	0.9
Total Europe	328.3	8.8	337.0	7.5	406.0	7.6	331.7	6.7	421.7	7.3	638.0	9.1	527.4	8.2

Asia:														
Japan	41.8	1.1	56.1	1.2	109.8	2.0	103.0	2.1	141.2	2.4	204.6	2.9	159.2	2.4
Saudi Arabia	32.6	0.9	52.9	1.2	78.2	1.5	86.3	1.8	115.0	2.0	102.6	1.4	71.7	1.1
South Korea	60.5	1.6	69.8	1.6	30.6	0.6	67.1	1.4	75.9	1.3	123.8	1.8	50.5	0.8
Taiwan	12.8	0.3	19.6	0.4	19.9	0.4	27.0	0.5	43.6	0.8	36.8	0.5	45.0	0.7
Other Asia	95.4	2.6	182.1	4.0	178.2	3.3	309.7	6.3	330.3	5.7	244.4	3.5	200.5	3.1
Total Asia	243.1	6.5	380.5	8.4	416.7	7.8	593.1	12.1	706.0	12.2	712.2	10.1	526.9	8.1
Africa:														
South Africa	2.0	0.1	1.1	0.0	1.9	0.0	2.0	0.0	2.5	0.0	4.8	0.1	3.6	0.1
Other Africa	3.4	0.1	12.2	0.3	3.5	0.1	6.8	0.1	18.5	0.3	58.0	0.8	142.3	2.2
Total Africa	5.4	0.2	13.3	0.3	5.4	0.1	8.8	0.1	21.0	0.3	62.8	0.9	145.9	2.3
Oceania:														
Australia	1.4	0.0	2.1	0.0	2.6	0.0	3.1	0.1	3.1	0.1	7.9	0.1	6.9	0.1
New Zealand	0.4	—	0.9	—	1.1	—	1.7	—	1.5	—	2.6	—	2.8	0.1
Total Oceania	1.8	—	3.0	—	3.7	—	4.8	0.1	4.6	0.1	10.5	0.1	9.7	0.2
Other[4]	230.3	6.2	319.3	7.1	412.5	7.7	360.2	7.3	413.6	7.1	402.4	5.7	383.4	5.9
Total	3,715.5	100.0	4,520.0	100.0	5,376.4	100.0	4,920.4	100.0	5,808.9	100.0	7,048.6	100.0	6,467.7	100.0

(1) These amounts do not include maquila production.
(2) Preliminary data.
(3) Up to November.
(4) Includes the Dominican Republic, Netherlands Antilles, Panama and Puerto Rico.
Source: Bank of Guatemala.

Volume and Price of Leading Exports[1]

	2006	2007	2008	2009	2010	2011[2]	2012[3]
Coffee export volume (thousands of *quintales*)	4,441.2	5,084.0	5,071.3	5,125.5	5,109.6	6,265.4	4,764.8
Coffee export price (US$/*quintal*)	104.38	113.56	127.42	113.06	138.08	185.85	193.80
Sugar export volume (thousands of *quintales*)	29,368.4	28,551.5	28,592.0	35,081.3	38,434.6	28,437.1	30,353.1
Sugar export price (US$/*quintal*)	10.17	12.54	13.22	14.47	18.91	22.81	23.82
Banana export volume (thousands of *quintales*)	21,410.8	29,329.2	28,587.5	31,006.0	28,280.0	32,795.8	37,584.6
Banana export price (US$/*quintal*)	10.06	10.19	11.02	13.27	12.36	14.41	14.48
Oil export volume (thousands of barrels per year)	5,357.5	5,276.6	4,775.5	4,232.4	3,982.2	3,529.4	2,750.0
Oil price (US$/barrel)	43.53	47.21	78.26	45.29	62.07	95.03	96.85
Cardamom export volume (thousands of *quintales*)	687.1	616.1	484.2	522.3	488.7	527.9	688.1
Cardamom export price (US$/*quintal*)	121.44	222.45	429.58	582.11	630.46	562.43	315.22

(1) Price is average over year for selected quality of product.
(2) Preliminary data.
(3) Up to November.
Source: Bank of Guatemala.

Imports (CIF) by Product
(in millions of US$ and as % of total imports)

	2006		2007		2008		2009		2010		2011(1)		2012(2)	
	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%
Raw materials and intermediate goods:														
Agriculture	275.1	2.3	333.3	2.5	459.5	3.2	322.2	2.8	454.5	3.3	555.9	3.3	599.6	3.8
Manufacturing	4,041.5	33.9	4,430.8	32.6	4,802.8	33.0	3,604.0	31.2	4,407.2	31.9	5,196.6	31.3	4,567.7	29.3
Total raw materials and intermediate goods	4,316.6	36.2	4,764.1	35.1	5,262.3	36.2	3,926.2	34.0	4,861.7	35.2	5,752.5	34.6	5,167.3	33.1
Consumer goods:														
Durable	1,614.8	13.6	1,779.5	13.1	1,671.1	11.5	1,323.0	11.5	1,611.0	11.6	1,866.4	11.2	1,867.7	12.0
Non-durable	1,552.9	13.0	1,836.9	13.5	2,067.1	14.2	1,966.5	17.1	2,242.9	16.2	2,582.0	15.6	2,478.2	15.9
Total consumer goods	3,167.7	26.6	3,616.4	26.6	3,738.2	25.7	3,289.5	28.6	3,853.9	27.8	4,448.4	26.8	4,345.9	27.9
Capital goods:														
Manufacturing, telecommunications and construction	1,777.0	14.9	1,960.1	14.5	1,891.5	13.0	1,520.8	13.2	1,898.0	13.7	2,277.0	13.7	2,134.3	13.7
Transportation	450.4	3.8	420.2	3.1	394.5	2.7	264.9	2.3	365.8	2.6	393.9	2.4	485.6	3.1
Agriculture	65.9	0.5	69.4	0.5	66.7	0.5	50.6	0.4	63.8	0.5	69.4	0.4	71.5	0.5
Total capital goods	2,293.3	19.2	2,449.7	18.1	2,352.7	16.2	1,836.3	15.9	2,327.6	16.8	2,740.3	16.5	2,691.4	17.3
Mineral fuels and lubricants	1,876.6	15.8	2,418.9	17.8	2,822.4	19.4	2,206.9	19.1	2,475.6	17.9	3,284.3	19.8	2,993.3	19.2
Construction materials	259.8	2.2	325.8	2.4	370.2	2.5	272.1	2.4	319.0	2.3	387.0	2.3	384.8	2.5
Other	0.5	—	0.8	—	0.7	—	0.3	—	0.5	—	0.5	—	0.4	—
Total imports	11,914.5	100.0	13,575.7	100.0	14,546.5	100.0	11,531.3	100.0	13,838.3	100.0	16,613.0	100.0	15,583.1	100.0

(1) Preliminary data
(2) Up to November.
Source: Bank of Guatemala

Geographic Distribution of Imports (CIF)
(in millions of US$ and as % of total imports)

	2006		2007		2008		2009		2010		2011(1)		2012(2)	
	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%
North America:														
United States	4,115.1	34.5	4,642.6	34.2	5,242.4	36.0	4,211.9	36.5	5,124.7	37.0	6,508.6	39.2	5,929.6	38.0
Mexico	950.8	8.0	1,184.3	8.7	1,411.6	9.7	1,185.6	10.3	1,542.8	11.1	1,858.9	11.2	1,772.5	11.4
Canada	146.0	1.2	134.5	1.0	174.8	1.2	95.8	0.8	103.9	0.8	100.4	0.6	86.6	0.6
Total North America	5,211.9	43.7	5,961.4	43.9	6,828.8	46.9	5,493.3	47.6	6,771.4	48.9	8,467.9	51.0	7,788.7	50.0
Central America:														
Costa Rica	372.0	3.1	405.9	3.0	422.7	2.9	394.2	3.4	427.7	3.1	455.5	2.7	438.5	2.8
El Salvador	544.8	4.6	620.9	4.6	692.1	4.8	590.0	5.1	676.1	4.9	820.4	4.9	720.4	4.6
Honduras	183.3	1.5	279.7	2.0	353.4	2.4	262.4	2.3	307.0	2.2	344.7	2.1	338.2	2.2
Nicaragua	55.7	0.5	79.8	0.6	93.0	0.6	72.6	0.7	83.4	0.6	76.9	0.5	91.8	0.6
Total Central America	1,155.8	9.7	1,386.3	10.2	1,561.2	10.7	1,319.2	11.5	1,494.2	10.8	1,697.5	10.2	1,588.9	10.2
South America:														
Argentina	207.4	1.7	215.1	1.6	142.4	1.0	119.9	1.0	114.7	0.8	91.4	0.6	140.1	0.9
Brazil	391.0	3.3	308.7	2.3	268.1	1.8	233.3	2.0	232.9	1.7	274.7	1.7	223.1	1.4
Colombia	196.3	1.7	214.8	1.6	289.2	2.0	325.7	2.8	394.0	2.8	596.8	3.6	481.7	3.1
Ecuador	148.9	1.2	190.1	1.4	124.1	0.9	205.2	1.8	178.3	1.3	184.0	1.1	219.1	1.4
Venezuela	55.8	0.5	51.4	0.4	116.9	0.8	25.4	0.2	7.1	0.1	58.1	0.3	41.0	0.3
Other	236.0	2.0	426.1	3.1	514.9	3.5	270.6	2.4	219.8	1.6	299.8	1.8	293.4	1.9
Total South America	1,235.4	10.4	1,406.2	10.4	1,455.6	10.0	1,180.1	10.2	1,146.8	8.3	1,504.8	9.1	1,398.4	9.0
Europe:														
France	73.7	0.6	56.4	0.4	54.4	0.3	89.5	0.8	63.4	0.5	52.4	0.3	62.6	0.4
Germany	200.3	1.7	236.9	1.7	215.0	1.5	172.0	1.5	247.6	1.8	256.1	1.5	254.9	1.6
Italy	116.7	1.0	154.0	1.1	108.0	0.7	75.3	0.6	84.2	0.6	108.0	0.7	104.7	0.7
Netherlands	109.0	0.9	119.9	0.9	74.4	0.5	93.7	0.8	83.4	0.6	96.6	0.6	89.1	0.6
Spain	140.0	1.2	162.7	1.2	183.9	1.3	142.2	1.2	151.4	1.1	171.9	1.0	176.1	1.1
United Kingdom	38.7	0.3	48.9	0.4	56.3	0.4	33.6	0.3	46.0	0.3	51.8	0.3	40.4	0.3
Other	238.1	2.0	281.1	2.1	274.6	1.9	217.8	1.9	277.2	2.0	356.7	2.2	287.0	1.8
Total EU	916.5	7.7	1,059.9	7.8	966.6	6.6	824.1	7.1	953.2	6.9	1,093.5	6.6	1,014.8	6.5
Other Europe	220.4	1.8	184.3	1.4	193.2	1.4	90.0	0.8	194.8	1.4	263.5	1.6	270.1	1.7
Total Europe	1,136.9	9.5	1,244.2	9.2	1,159.8	8.0	914.1	7.9	1,148.0	8.3	1,357.0	8.2	1,284.9	8.2
Asia:														
Indonesia	13.6	0.1	11.6	0.1	14.8	0.1	13.2	0.1	15.9	0.1	19.7	0.1	25.0	0.2
Japan	316.7	2.7	395.3	2.9	365.6	2.5	173.5	1.5	276.6	2.0	303.9	1.8	262.8	1.7
South Korea	579.4	4.9	444.0	3.3	365.0	2.5	317.8	2.8	387.6	2.8	369.0	2.2	338.8	2.2
Taiwan	141.5	1.2	126.8	0.9	110.3	0.8	85.9	0.7	93.3	0.7	122.7	0.8	118.4	0.7
Other Asia	1,042.9	8.7	1,262.9	9.3	1,362.5	9.4	990.5	8.6	1,519.9	11.0	1,831.2	11.0	1,862.7	11.9
Total Asia	2,094.1	17.6	2,240.6	16.5	2,218.2	15.3	1,580.9	13.7	2,293.3	16.6	2,646.5	15.9	2,607.7	16.7
Africa:														
South Africa	9.9	0.1	2.4	—	1.8	—	2.7	—	3.0	—	2.3	—	6.0	0.0
Other Africa	31.0	0.2	38.3	0.3	53.4	0.4	21.2	0.2	48.0	0.4	19.9	0.1	28.6	0.2
Total Africa	40.9	0.3	40.7	0.3	55.2	0.4	23.9	0.2	51.0	0.4	22.2	0.1	34.6	0.2
Oceania:														
Australia	17.3	0.2	29.6	0.2	37.5	0.3	14.1	0.1	13.4	0.1	19.6	0.1	12.6	0.1
New Zealand	25.7	0.2	25.2	0.2	18.2	0.1	15.7	0.2	15.5	0.1	17.5	0.1	17.1	0.1
Total Oceania	43.0	0.4	54.8	0.4	55.7	0.4	29.8	0.3	28.9	0.2	37.1	0.2	29.7	0.2
Other(3)	996.5	8.4	1,241.5	9.1	1,212.0	8.3	990.0	8.6	904.7	6.5	880.0	5.3	850.2	5.5
Total	11,914.5	100.0	13,575.7	100.0	14,546.5	100.0	11,531.3	100.0	13,838.3	100.0	16,613.0	100.0	15,583.1	100.0

(1) Preliminary data.
(2) Up to November.
(3) Includes the Dominican Republic, Netherlands Antilles, Panama and Puerto Rico.
Source: Bank of Guatemala.

Foreign Direct Investment

Since 2006, there was an increase in foreign direct investment flows to Guatemala, reflecting an improvement in the business climate and the enactment of the free trade agreement with the United States ("DR-CAFTA"). See "Trade Initiatives Involving the United States and Other Countries." Most of the foreign direct investment flows have been directed to four sectors: telecommunications, mining, energy, and services.

Remittances

The average annual growth rate of the workers' remittances flow in 2006-2011 was of 7.0%. In 2011, the net flow of workers' remittances amounted to US$4,800.4 million.

According to the "Survey on Remittances 2010, Protection for Childhood and Adolescence" (International Organization for Migration, 2010), the estimate for Guatemalan migrants residing abroad in 2010 was 1,637,119. From 2002 to 2010, the annual average of Guatemalan migrants leaving the country to work abroad was around 44,440. The migration rate in the same period increased from 10.5% to 11.4%.

Most of the workers' remittances originate in the United States (97.4%); some of them originate in Canada (1.1%), Mexico (0.3%), and the rest of the world (1.2%).

The inflow of remittances decreased by 10.3% from 2008 to 2009, due to international economic and financial crisis.

Exchange Rate Policy and Foreign Exchange Rates

Even though in a flexible exchange rate regime the nominal exchange rate is determined by the interaction between supply and demand of foreign exchange, the central bank's intervention in the foreign exchange market is warranted in some circumstances; including intervention aimed at moderating excessive exchange rate volatility. The Bank of Guatemala's intervention in the foreign exchange market is triggered by a transparent, quantitative rule, aimed precisely at moderating excessive volatility without affecting the exchange rate's trend, as determined by the Monetary Board.

Notwithstanding the existence of the aforementioned intervention rule, the Bank of Guatemala did not intervene in the foreign exchange market in 2007, since the exchange rate volatility was quite low during that year. In other years there have been episodes of excess volatility, in which the Bank of Guatemala has intervened in the foreign exchange market according to its rule.

The Bank of Guatemala's intervention rule has been modified several times since its inception, basically in order to allow for greater flexibility in the market and prevent excessive interventions. In particular, the Monetary Board modified the intervention rule twice in 2009, due to the greater exchange rate volatility that occurred during the year as a result of the international economic and financial crisis.

The exchange rate's behavior displays a seasonal pattern, which prevailed during the 2005-2010 period. In addition, during the 2008-2010 period, the exchange rate was affected by the international crisis, which altered the usual patterns of supply and demand of foreign exchange, the liquidity in both local and foreign currency, and the expectations of the market participants.

Exchange Rates
(Q per US$1.00)

	Period End		Average for Period	
	Buy	Sell	Buy	Sell
2006	7.60481	7.64417	7.59367	7.61133
2007	7.61302	7.64861	7.66417	7.68293
2008	7.76310	7.79624	7.54757	7.56917
2009	8.33010	8.36400	8.15213	8.17579
2010	8.00338	8.02870	8.04296	8.06817
2011	7.78627	7.82694	7.76950	7.79687
2012:				
January	7.74265	7.77399	7.79612	7.81859
February	7.76065	7.78378	7.78326	7.80613
March	7.66310	7.69807	7.75947	7.78301
April	7.76633	7.79175	7.75399	7.77807
May	7.80575	7.83429	7.75751	7.78153
June	7.81968	7.85327	7.76970	7.79285
July	7.81995	7.84502	7.77541	7.79863
August	7.95201	7.96724	7.78752	7.81010
September	7.93854	7.96278	7.80361	7.82680
October	7.81199	7.83447	7.80885	7.83220
November	7.86496	7.90441	7.81332	7.83706
December	7.87564	7.91423	7.81904	7.84320

Source: Bank of Guatemala.

SINEDI(1)
(In millions of US$)

	Buy	Sell
2006	130.50	0.00
2007	0.00	0.00
2008	237.38	58.30
2009	0.00	364.64
2010	152.55	155.20
2011	436.15	255.10
2012:	109.20	249.48
January	7.50	10.50
February	0.00	5.00
March	21.70	9.00
April	0.00	29.00
May	0.00	0.00
June	0.00	5.00
July	0.00	0.00
August	0.00	51.58
September	26.00	24.60
October	14.00	0.00
November	20.00	39.20
December	20.00	75.60

(1) Electronic System of Currencies Negotiations.
Source: Bank of Guatemala.

MONETARY SYSTEM

Financial System

The financial system of Guatemala is comprised of the *Banco de Guatemala* (the Central Bank of the Republic, or the "Bank of Guatemala"), commercial banks (onshore and offshore), finance firms, insurance companies, such as a bank or insurance company that provides bid, fidelity, performance, and other types of bonds; foreign exchange houses; warehouses and leasing, factoring, credit card companies, credit unions and saving and credit cooperatives. The financial system, except for securities exchanges and cooperatives, is supervised by the Superintendence of Banks, under the direction of the Monetary Board. The equity market is not developed and the private debt market consists mainly of short term promissory notes, mostly issued by credit card companies and a few enterprises. The Government and the Bank of Guatemala are the primary bond issuers.

The Monetary Board and the Bank of Guatemala

The country's Political Constitution empowers the Monetary Board, as the governing body of the Bank of Guatemala, to determine the monetary, foreign exchange, and credit policies of the country. The Monetary Board acts through the Bank of Guatemala to execute its policies. The Monetary Board also oversees the liquidity and solvency of the national banking system. Under the direction and supervision of the Monetary Board, the Bank of Guatemala operates as an autonomous financial institution.

The Monetary Board is comprised of the President of the Bank of Guatemala, who chairs it; the Minister of Public Finance, the Minister of Economy, and the Minister of Agriculture, Livestock and Food, one member elected by the Congress of the Republic, one member appointed by the business, industrial and agricultural associations, one member appointed by the private banks, and one member elected by the Higher Council of the University of San Carlos de Guatemala (public university). The President of the Bank of Guatemala is appointed by the President of the Republic of Guatemala for a four-year term which overlaps with two successive government terms. The President of the Bank reports to the Congress twice a year and may only be removed by two-thirds majority of Congress.

According to the Constitution, the Bank of Guatemala is prohibited from directly or indirectly financing the Government or public or private entities other than financial institutions, and may not acquire securities issued or sold in the primary market by the public sector. The Constitution permits the Bank of Guatemala to finance public sector entities only in the case of national emergency, and then only upon the request of the President of the Republic and with the approval of two-thirds majority of Congress.

The Bank of Guatemala's Organic Law (Decree 16-2002), which became effective on June 1, 2002, establishes that the Bank of Guatemala's fundamental objective is to promote price stability. In order to pursue its fundamental objective, the Bank of Guatemala has implemented an inflation targeting regime since 2005. In addition, the implementation of its exchange and credit policies is consistent with the objective of price stability. Thus, the Bank of Guatemala intervenes in the foreign exchange market within a set of rules publicly known, only to reduce currency volatility.

Monetary Policy

In an inflation targeting regime, the Bank of Guatemala generally announces the monetary policy stance in relation to the inflation outlook of the economy by determining the short term interest rate that has an impact on the liquidity conditions of the financial markets. This interest rate is usually called "monetary policy interest rate." When the Bank of Guatemala identifies significant inflationary pressures, it increases the level of the monetary policy interest rate in order to restrict liquidity and to have an impact on other long term interest rates that affect the levels of consumption and investment in the economy. Alternatively, when the Bank of Guatemala identifies significant deflationary pressures, it reduces the monetary policy interest rate. The Bank of Guatemala keeps the aforementioned rate unchanged when it considers that the inflation outlook is consistent with the inflation target.

The inflation targeting regime is based on the choice of an inflation rate target as the nominal anchor for the monetary policy, a flexible exchange rate regime, the use of indirect monetary control instruments (monetary stabilization operations), as well as the strengthening of transparency in the proceedings of the Bank of Guatemala.

The Monetary Board's target for 2012 was to maintain the inflation rate within a target range of 4.5% +/- 1%, and from 2013 on the medium-term inflation target (continuous target) was set at 4.0% +/- 1%, as well as to:

- promote stability in the general level of prices;
- maintain a free exchange rate; and
- continue the modernization of the financial system.

The monetary policy rate, since June 1, 2011, is set for overnight operations. Through this rate the monetary authorities seek to promote a more efficient management of liquidity by the banks and other financial institutions, enabling to maintain, on average, lower balances of short-term deposits at the Bank of Guatemala, which in turn enhances the incidence of changes in the monetary policy interest rate on financial decisions made by them and, consequently, on the lending and borrowing interest rates, enhancing the transmission mechanism of the monetary policy on aggregate demand, the real exchange rate and, particularly, on the path of inflation.

The current Monetary Policy also provides that the main instrument for moderating primary liquidity is the implementation of monetary stabilization operations ("OEM"). It also establishes the mechanisms used by BG for the receipt of term deposits ("DP"). On December 31, 2012, these operations registered Q20,117.4 million (around US$2,545.8 million, or 5.1% of GDP).

Agreement with the IMF

Guatemala has a history of macroeconomic stability and its implementation of structural reforms has had the support of the IMF. In April 2009, due to the global economic crisis and in order to maintain macroeconomic stability, the Guatemalan Government signed a US$950 million Stand-By Agreement ("SBA") with the IMF, for a period of 18 months. The SBA was part of a comprehensive preventive strategy to strengthen the country's liquidity cushion in the face of an uncertain global environment, thereby enhancing the confidence of investors and market participants. This agreement with the IMF served as a 'good-housekeeping' certificate towards the country's macroeconomic development and as a guarantee of macroeconomic stability in an adverse economic context. As a result, Guatemala was the only country in Central America in 2009 to show a positive although low GDP growth rate (0.5%).

The fundamentals of the economic policy which framed the SBA were the following: a) a moderately countercyclical fiscal policy to support domestic demand; b) monetary policy actions focused on achieving the inflation target; c) a flexible nominal exchange rate to facilitate economic adjustment; and d) a financial sector policy aimed at strengthening banking regulation and supervision.

No disbursements were made under the SBA. Various reviews conducted by the IMF verified compliance with all performance criteria by wide margins, including criteria relating to inflation. The agreement concluded successfully on October 21, 2010.

Financial Sector

Significant improvements have been made in the last decade in order to strengthen Guatemala's financial sector. With the assistance of the IMF and the World Bank, a financial sector reform program has been implemented to create a modern, strong and well-functioning financial system, able to improve and expand its intermediating functions and to withstand shocks. This reform program included strengthening the overall financial regulation and supervision, recapitalization of weak but viable banks and fostering market discipline and competition among financial intermediaries.

Congress enacted the following laws to implement current international standards:

- The Anti-Money Laundering Law (Decree 67-2001) enacted in December 2001, provided the framework to regulate foreign currency transactions that are suspected of being associated with illegal activities such as the drug trade. This law made money laundering a crime, required reporting of suspicious financial transactions, and permitted the Guatemalan authorities to share information about such suspicious transactions with other countries through a Memorandum of Understanding ("MOU"). Any cash transaction in excess of US$10,000 in domestic or foreign currency had to be registered and reported to the Superintendence of Banks. This law established that banks, among others, must maintain registries to identify and know the identity of their customers and calls for the creation of the *Intendencia de Verificación Especial* (Special Verification

Intendancy), which is the Guatemalan Financial Intelligence Unit in charge of analyzing and monitoring information related to money laundering activities. Any person carrying an amount equal to or in excess of US$10,000 in domestic or foreign currency into or out of the country was required to report such fact at the port of entry or exit. The Special Verification Intendancy had the obligation to keep registries and prepare statistical information related to its mandate, and developed a national network for the prevention, control and surveillance of money laundering activities. On July 2, 2004, Guatemala was removed from the FATF's "Non-Cooperative Countries and Territories List" due to Guatemala's development and on-going implementation of an effective counter money laundering regime.

- The Bank of Guatemala's Organic Law, which became effective on June 1, 2002, had the following key objectives: strengthening the autonomy of the Bank of Guatemala, redefining minimum reserve requirements for the banking system and enhancing the transparency of its internal operations. The law also provided that the Bank of Guatemala is an autonomous entity authorized to set monetary policy, that members of the Monetary Board could only be removed for cause and that the Bank of Guatemala release to the public information related to monetary policy and its implementation. In addition, the law established as the Bank of Guatemala's fundamental objective the creation and maintenance of the most favorable conditions for an orderly development of the Guatemalan economy. For that purpose, the Bank of Guatemala used monetary, exchange and credit policies to promote stability at the general level of prices.

- The Monetary Law effective as of June 1, 2002, reflected changes in the international financial markets, mandated the free convertibility of foreign exchange and free movement of capital. This law provided the legal framework to generate confidence in the financial services sector and provides legal protection for foreign exchange operations. In addition, the Monetary Law provided that the Bank of Guatemala is the only entity that can issue domestic currency.

- The Banking and Financial Groups Law (Decree 19-2002) effective as of June 1, 2002, constituted the basic legal framework to improve the level of competitiveness and strength of the Republic's financial institutions. It addressed the regulation of financial groups and administration of risks among banking institutions, consolidated the supervision of banks and financial groups, streamlined mechanisms for the restructuring and disposition of insolvent institutions, and provided for transparency of information.

- The Banking Supervision Law (Decree 18-2002) effective as of June 1, 2002, gave the Superintendence of Banks greater functional independence, regulatory oversight and greater disciplinary authority to exercise its supervisory functions more effectively. This law was intended to promote greater public confidence in the banking system. In addition, this law established the qualifications that the head of the Superintendence of Banks must have, including its authority and causes for removal.

- The Insurance Activity Law (Decree 25-2010) fully effective as of January 1, 2011, regulates matters relating to the incorporation, organization, merger, activities, operations, performance, suspension and liquidation of insurance and reinsurance firms, also the registration and control of insurance and reinsurance brokers and independent insurance adjusters operating in the country. The issuance of this law contributed to the strengthening of the insurance system, in order to be solvent, modern and competitive. It also provided the necessary grounds for the development of adequate prudential regulation. To enable the implementation of the Law, from 2010 the Monetary Board has issued several regulations. Also the Superintendent of Banks, within its jurisdiction, issued regulation of its own.

In addition, specific provisions within these and other regulations have been put in place for (i) closure of insolvent banks; (ii) transfer of assets and liabilities of insolvent banks to other financial institutions; (iii) establishment of the Fiduciary Fund for Bank Capitalization ("FCB"); (iv) recapitalization of weak but viable banks; (v) regulation of bank liquidity; (vi) bolstering bank's solvency; enhancing bank supervision; (vii) establishment of a Credit Information System (credit bureau); (viii) implementation of new accounting rules; (ix) adoption of a better legal framework for rapid debt collection; (x) establishment of the Special Unit Against Money Laundering within the Superintendence of Banks (SB); and (xi) modernization of the payment system for large transactions.

So far, these improvements have proven to be effective. In 2006-2007, difficulties in two commercial banks, which accounted for around 10 percent of total assets of the banking system, tested the strength of the financial sector. The authorities addressed the crisis successfully using the mechanisms provided by the 2002 Law for Banks and Financial Groups. Furthermore, the impact on the rest of the financial system was contained. The deposit insurance fund ("FOPA") and the Banking Capitalization Fund financed the resolution of the two failed banks. FOPA subsequently was successfully recapitalized through additional fiscal funds, an increase in the premium charged to banks, and additional funding from banks.

The domestic financial sector was also resilient to the 2008-2009 global crisis. The financial sector had limited exposure to the sources of the global financial crisis. The participation of foreign banks in the system is small, with a market share of 8% of deposits, and banks had not invested in high-risk instruments related to the U.S. mortgage market. Moreover, the financial system underwent significant consolidation in recent years, with weaker institutions being absorbed by more solid ones. Starting 2008, the monetary authorities addressed the most pressing financial risks by enhancing banking supervision, ensuring adequate bank liquidity in both domestic and foreign currency, and bolstering bank solvency by increasing provisioning requirements.

The capital adequacy ratio has been strengthened in recent years. As of December 2012, the ratio was 14.7% for banks (13.5% as of December 2008), 36.9% for financial institutions (37.0% as of December 2008), 16.9% for off shore banks (14.7% as of December 2008) and 16.0% on a consolidated basis (14.2% as of December 2008).

The Government continues to work on strengthening the country's financial institutions to develop complementary financial standards in areas such as insurance, anti-money laundering and financial risks, among others.

The new legal and regulatory framework is still in the process of implementation, but has already yielded improvements. New regulations complying with the Core Principles for Effective Banking Supervision of the Basel Committee have been put in place.

Nevertheless, the Guatemalan financial sector still faces strong challenges. The Government cannot assure that banks will not experience liquidity and solvency problems in the future or that such problems will not have a material adverse effect on the sector and on the economy.

Banks

As of December 31, 2012, Guatemala had 18 commercial banks, including one branch of a foreign owned bank, and one state-owned bank. Four large commercial banks have the largest market share based on assets and deposits. As of December 31, 2012, these banks held 74.8% of the assets and 74.1% of the deposits of the Guatemalan banking system. As of December 31, 2012, total assets of Guatemalan commercial banks totaled Q197,110.7 million (US$24,943.5 million). Total liabilities of Guatemala's commercial banks amounted to 179,308.8 million (US$22,690.7 million), of which Q146,729.8 million (US$18,568.0 million) were deposits. Bank branches are heavily concentrated in Guatemala City, Quetzaltenango, Escuintla and Huehuetenango.

Offshore banks

As of December 31, 2012, there were seven offshore banks authorized to operate in Guatemala. 76.5% of the assets are concentrated in three institutions, which also held 78.9% of total deposits. As of December 31, 2012, total assets of offshore banks amounted to Q24,141.7 million (US$3,055.0 million), which represent 10.6% of the total assets of the Guatemalan financial system. As of December 31, 2012, total deposits of the Guatemalan financial system amounted to Q167,126.2 million (US$21,149.1 million), from which offshore banks held 12.2% (Q20,396.4 million / US$2,581.1 million). Total liabilities of offshore banks were Q21,403.8 million (US$2,708.5 million). There has been a reduction process in the number of offshore banks, going from ten institutions in 2007, to seven in 2012, due to financial mergers.

Finance Firms

Guatemalan law allows the existence of *financieras* (finance firms) that act as financial intermediaries. By encouraging and channeling both medium- and long-term domestic capital in the form either of debt or equity investments in domestic corporations, these institutions promote the establishment of productive enterprises. Finance firms cannot not receive deposits from the public, and instead finance their operations primarily through loans and the issuance of bonds or Notes, as well as their own capital. Finance firms are not subject to reserve or investment requirements, and so their cost of capital is lower than that of banks. There are currently fourteen finance firms in Guatemala, of which thirteen are private and one is state-owned.

National Mortgage Bank

Crédito Hipotecario Nacional de Guatemala (Guatemala National Mortgage Bank) is the only state-owned commercial bank in Guatemala. Guatemala National Mortgage Bank provides credit for housing, commercial construction and other activities and finances its operations almost exclusively with deposits, paid-in capital and capital reserves. As of December 31, 2012, this bank had total liabilities of Q2,718.7 million (US$344.0 million). Its loans represent 1.0% of the loans granted by the commercial banks. This bank deposits represent 1.6% of the deposits of the banking system.

The following table identifies the number of financial institutions and distribution of loans, deposits and assets in the financial system corresponding to each category.

Number of Financial Institutions and Distribution of Loans, Deposits and Assets

	December 31,						December 31, 2012			
	2006	2007	2008	2009	2010	2011	2012	Loans	Deposits	Assets
Commercial banks	22	21	18	17	17	17	17	87.3%	86.4%	85.1%
Finance firms	17	16	16	15	15	14	14	0.9%	—	3.0%
Offshore banks	10	10	8	9	8	7	7	10.9%	12.2%	10.6%
Crédito Hipotecario Nacional de Guatemala	1	1	1	1	1	1	1	0.9%	1.4%	1.3%
Total	50	48	43	42	41	39	39	100.0%	100.0%	100.0%

Source: Superintendence of Banks.

In spite of the economic effects of the global financial crisis from 2008 to the present, total assets in the Guatemalan financial system increased from 54.3% of GDP by 2005 to 58.4% of GDP by 2012. Therefore, the country has even experienced economic growth and a stable price environment. In that period, Guatemalan economy and its financial system were resilient to the effects caused by the economic and financial global crisis.

Since 2005, the Guatemalan banking industry has experienced significant consolidation, driven principally by the need to become more competitive, including the following mergers and acquisitions:

- Banco Industrial, S. A. acquired Banco de Occidente, S. A. (July, 2006);
- Banco G&T Continental, S. A. acquired Banco de Exportación, S. A. (May, 2007);
- Banco Reformador, S. A. acquired Banco SCI, S. A. (July, 2007);
- Banco Agromercantil de Guatemala, S. A. acquired Banco Corporativo (August, 2007);
- Banco Industrial, S. A. acquired Banco del Quetzal, S. A. (October, 2007);
- Citibank Overseas Investment Corporation acquired Banco Cuscatlán, S. A. and Banco Uno, S. A., merging later to create Banco Citibank de Guatemala, S. A. (February, 2008);
- Banco de los Trabajadores acquired Banco de la República, S. A. (May, 2009); and
- Grupo Ficohsa from Honduras acquired 90% of the shares of Banco Americano, S.A. (February, 2012).

In 2006 the Monetary Board approved a banking license to Banco Azteca de Guatemala, S. A., which began operation in May 2007.

There are currently no restrictions on foreign investment in Guatemalan banks or financial institutions.

The Monetary Board has approved the formation of *Grupos Financieros* (financial groups), these being the association of two or more companies that perform activities financial in nature. One of such financial entities must be a bank, and must be under common control in terms of property, management and use of corporate image. In the absence of the foregoing, such entities must have a control agreement in place. The Superintendence of Banks performs surveillance and inspection of such financial groups. There are currently twelve financial groups in the Guatemalan financial system:

- Grupo Financiero Corporación BI, headed by Banco Industrial, S. A.
- Grupo Financiero de Occidente, headed by Financiera de Occidente, S. A.
- Grupo Financiero Agromercantil, headed by Banco Agromercantil de Guatemala, S. A.
- Grupo Financiero Citibank de Guatemala, headed by Banco Citibank de Guatemala, S. A.
- Grupo Financiero Bac-Credomatic, headed by Banco de América Central, S. A.
- Grupo Financiero G&T Continental, S. A., headed by Banco G&T Continental, S. A.
- Grupo Financiero Reformador, headed by Banco Reformador, S. A.
- Grupo Financiero Banco Internacional, headed by Banco Internacional, S. A.
- Grupo Financiero de Inversión, headed by Ficohsa Guatemala, S. A. (in process of being dissolved by request of its members)
- Grupo Financiero Banrural, headed by Banco de Desarrollo Rural, S. A.
- Grupo Financiero de los Trabajadores, headed by Banco de los Trabajadores.
- Grupo Financiero Vivibanco, headed by Banco Vivibanco, S.A.

The following table sets forth the total gross assets of the Guatemalan financial system as of the dates indicated and the percentage growth from the prior year.

Total Assets of the Guatemalan Financial System
(In millions of US$ and as % change from previous year)

	Financial System		Commercial Banks	
December 31,	**US$(1)**	**Growth rate (%)**	**US$(1)**	**Growth rate (%)**
2006	17,168.4	15.6	13,914.7	19.4
2007	18,762.3	9.3	15,514.7	11.5
2008	20,250.5	7.9	16,806.0	8.3
2009	20,268.2	0.2	16,776.5	(0.2)
2010	22,575.9	11.2	19,131.0	14.0
2011	26,000.9	15.2	22,391.8	17.0
2012	28,855.0	11.0	24,943.5	11.4

(1) Converted at the official exchange rate.
Source: Superintendence of Banks.

Commercial banks are the principal source of private sector financing and accounted for 88.2% of all loans issued by the financial system as of December 31, 2012. Major borrowers include companies engaged in wholesale and retail trade (18.3%), manufacturing (11.9%), construction (11.2%), financial services (10.2%) and agriculture, livestock, fishing and forestry (6.0%). Consumer credit has increased significantly from 22.9% of total loans as of December 31, 2006 to 27.3% of total loans as of December 31, 2012. The increase is primarily due to the greater availability of consumer credit and diversification of financial products. The following tables have information on the allocation of loans to each sector of the economy.

Loans of the Financial System by Sector
(In millions of Q)

	2006	2007	2008	2009	2010	2011	2012
Private sector:							
Agriculture, livestock, fishing and forestry	4,257.6	4,738.7	5,198.4	5,190.5	4,987.7	6,410.9	7,550.9
Mining and quarries	151.7	146.3	194.8	187.1	147.5	164.7	232.0
Manufacturing	8,166.8	9,861.8	11,085.7	10,672.8	10,431.3	12,905.0	15,001.5
Electricity and water	2,340.7	2,701.8	2,976.7	3,027.8	3,466.9	4,117.6	6,307.9
Construction	7,830.7	10,898.0	12,432.0	12,084.4	11,884.4	12,391.9	13,314.6
Wholesale and retail trade	13,836.0	17,323.4	17,441.4	16,921.0	17,925.5	20,427.9	23,162.1
Transportation, storage and telecommunications	940.2	1,124.1	1,215.7	1,109.6	1,196.6	1,325.8	1,805.6
Financial services	7,348.4	10,378.0	11,684.1	11,634.1	11,606.2	11,503.9	14,068.9
Community, social and personal services	2,731.2	3,039.0	3,017.8	3,217.8	3,376.8	4,245.9	4,831.5
Consumer credit	15,372.7	21,045.3	23,952.6	25,004.1	26,587.0	30,095.3	34,591.1
Private transfers	2,646.9	2,333.3	2,556.7	3,044.8	2,831.1	3,278.6	4,355.6
Others	1,667.9	1,995.3	1,323.4	990.0	1,023.3	1,030.9	1,327.0
Total private sector loans	67,290.9	85,585.0	93,079.3	93,084.1	95,464.2	107,898.3	126,548.8
Total public sector loans	3,031.1	2,863.3	(1,226.8)	1,174.5	6,221.9	9,096.3	6,317.0 p/
Total loans	70,322.0	88,448.3	91,852.5	94,258.6	101,686.1	116,994.6	132,865.8

p/ Preliminary
Source: Superintendence of Banks.

Loans of the Financial System by Sector
(In millions of US$)(1)

	December 31,						
	2006	2007	2008	2009	2010	2011	2012
Private sector:							
Agriculture, livestock, fishing and forestry	560.5	621.0	668.0	621.3	622.4	820.8	955.5
Mining and quarries	20.0	19.2	25.0	22.4	18.4	21.1	29.4
Manufacturing	1,075.1	1,292.3	1,424.6	1,277.5	1,301.7	1,652.2	1,898.4
Electricity and water	308.1	354.1	382.5	362.4	432.6	527.2	798.2
Construction	1,030.9	1,428.1	1,597.6	1,446.5	1,483.0	1,586.5	1,684.9
Wholesale and retail trade	1,821.4	2,270.1	2,241.4	2,025.4	2,236.9	2,615.3	2,931.1
Transportation, storage and telecommunications	123.8	147.3	156.2	132.8	149.3	169.7	228.5
Financial services	967.4	1,360.0	1,501.5	1,392.6	1,448.3	1,472.8	1,780.4
Community, social and personal services	359.5	398.2	387.8	385.2	421.4	543.6	611.4
Consumer credit	2,023.8	2,757.9	3,078.1	2,992.9	3,317.7	3,853.0	4,377.4
Private transfers	348.4	305.8	328.6	364.5	353.3	419.8	551.2
Others	219.6	261.5	170.1	118.5	127.7	132.0	167.9
Total private sector loans	8,858.6	11,215.4	11,961.5	11,141.9	11,912.8	13,813.9	16,014.2
Total public sector loans	399.0	375.2	(157.7)	140.6	776.4	1,164.6	799.4
Total loans	9,257.6	11,590.6	11,803.8	11,282.5	12,689.2	14,978.5	16,813.6

(1) Converted from Q to US$ at the official exchange rate.
Source: Superintendence of Banks.

Loans of the Financial System by Sector
(As % of total loans)

	December 31,						
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Private sector:							
Agriculture, livestock, fishing and forestry	6.1	5.4	5.7	5.5	4.9	5.5	5.7
Mining and quarries	0.2	0.2	0.2	0.2	0.1	0.1	0.2
Manufacturing	11.6	11.1	12.1	11.3	10.3	11.0	11.3
Electricity and water	3.3	3.1	3.2	3.2	3.4	3.5	4.7
Construction	11.1	12.3	13.5	12.8	11.7	10.6	10.0
Wholesale and retail trade	19.7	19.6	19.0	18.0	17.6	17.5	17.4
Transportation, storage and telecommunications	1.3	1.3	1.3	1.2	1.2	1.1	1.4
Financial services	10.4	11.7	12.7	12.3	11.4	9.8	10.6
Community, social and personal services	3.9	3.4	3.3	3.4	3.3	3.6	3.6
Consumer credit	21.9	23.8	26.1	26.5	26.1	25.7	26.0
Private transfers	3.8	2.6	2.8	3.2	2.8	2.8	3.3
Others	2.4	2.3	1.4	1.1	1.0	0.9	1.0
Total private sector loans	95.7	96.8	101.3	98.8	93.9	92.2	96.3
Total public sector loans	4.3	3.2	(1.3)	1.2	6.1	7.8	3.7
Total loans	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Superintendence of Banks.

Interest rates float freely without governmental restrains. The weighted average bank lending rate was 16.05% in 2010, 16.31% in 2011 and 16.30% in 2012.

The following table sets forth information regarding interest rates for the years indicated.

Interest Rates on Commercial Bank Loans
In national currency (%)

	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Loans	12.65	13.26	14.34	13.82	13.56	13.88	13.97
Weighted average interest rate for total credit transactions	12.97	13.66	15.27	15.67	16.05	16.31	16.30
Real	7.18	4.91	5.87	15.95	10.66	10.11	12.85

Source: Superintendence of Banks.

The following table has information on interest rates applicable to deposits and loans.

Interest Rates on Deposits Paid by Commercial Banks
In national currency (%)

	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Savings deposits	2.09	2.24	2.03	2.01	1.92	1.93	1.92
Fixed-rate term deposits	6.74	7.06	7.45	7.54	7.27	7.08	7.19
Weighted average interest rate for total debit transactions.	3.97	4.13	4.40	4.52	4.30	4.21	4.42
Real	0.95	(1.69)	(1.95)	7.82	1.88	0.88	3.74

Source: Superintendence of Banks.

Liquidity and Credit Aggregates

There are several money supply measures currently in place in Guatemala. The most significant are M1, M2 and M3, which generally are composed of the following:

- M1: currency held by the public and demand deposits;
- M2: M1 plus savings and time deposits; and
- M3: M2 plus bonds held by the public.

By December 2012, the annual change rate of M2 was of 9.8% (in *quetzales*). The behavior of this monetary aggregate has been consistent with the forecasted inflation and growth through most part of the year.

The following table sets forth the composition of the Republic's monetary base (expressed in terms of the Bank of Guatemala's monetary liabilities) and international reserves as of the dates indicated.

Monetary Base and the Bank of Guatemala's International Reserves
(In millions of US$)(2)

	December 31,						
	2006	2007	2008	2009	2010	2011	2012
Currency in circulation	1,929.4	2,227.5	2,151.9	2,174.4	2,463.8	2,599.9	2,677.5
Commercial bank deposits at the Bank of Guatemala	1,432.5	1,503.8	1,528.5	1,632.5	1,791.8	2,188.8	2,529.3
Monetary base	3,361.9	3,731.4	3,680.5	3,806.9	4,255.6	4,788.7	5,206.8
Gross international reserves	4,061.1	4,320.3	4,658.8	5,212.6	5,953.8	6,187.9	6,693.8
Net international reserves	4,061.1	4,320.3	4,658.8	5,212.6	5,953.8	6,187.9	6,693.8

(1) Translated from Q to US$ at the reference exchange rate for the date indicated.
Source: Bank of Guatemala.

The following table shows liquidity and credit aggregates as of the dates indicated.

Liquidity and Credit Aggregates
(In millions of US$)(1)

	December 31,						
	2006	2007	2008	2009	2010	2011	2012
Monetary aggregates:							
Currency in circulation	1,929.4	2,227.5	2,151.9	2,174.4	2,463.8	2,599.9	2,667.5
M1	5,099.9	5,832.7	5,896.1	5,804.2	6,623.3	7,341.2	7,741.1
M2	11,574.6	12,710.0	13,389.6	13,719.0	15,916.3	18,080.8	19,618.7
M3	12,122.6	13,306.4	13,987.0	14,480.1	16,563.3	18,842.0	20,232.6
Credit by sector:							
Public sector(2)	399.0	375.7	-157.7	140.6	776.4	1,164.6	799.4
Private sector(3)	8,209.1	10,308.8	11,207.1	10,556.0	11,636.5	13,621.1	15,840.4
Other(4)	197.0	131.0	139.3	75.9	132.9	139.1	123.2
Total credit aggregates	8,805.1	10,815.5	11,188.8	10,772.6	12,545.8	14,924.8	16,763.0
Deposits:(5)							
Local currency	8,343.0	8,857.3	9,401.8	9,390.1	10,789.0	12,346.3	13,494.3
Other	1,302.2	1,625.2	1,835.9	2,154.5	2,663.5	3,134.7	3,477.0
Total deposits	9,645.2	10,482.5	11,237.7	11,544.5	13,452.5	15,480.9	16,941.3

(1) Translated from Q to US$ at the reference exchange rate for the date indicated.
(2) Includes the Government, non-financial public companies, pension funds, decentralized entities and local governments.
(3) Includes non-financial and financial institutions, households and non-profit institutions.
(4) Includes finance firms.
(5) Commercial bank deposits.
Source: Bank of Guatemala.

The variation of the banking system's credit to the private sector was of 17.7% (in *quetzales*) in 2012.

This behavior of the banking system's credit was mainly associated with demand factors, which were consistent with the pace of economic activity.

In 2007, four main events were related to the financial sector: the first was an increase in economic activity, the second was the suspension of operations of *Banco del Cafe, S.A.*, the third was a shortage of cash experienced by the economy at the end of 2006, which in turn affected the demand for cash in order to supply ATMs, and the fourth event was the suspension of operations of *Banco de Comercio, S.A.* on January 2007. In response to these events, the Bank of Guatemala applied the provisions for the closure of insolvent banks and for the transfer of assets and liabilities of insolvent banks to other financial institutions, both contained in the modern Law for Banks and Financial Groups.

The following table shows principal monetary indicators as of the dates indicated.

Principal Monetary Indicators
(In millions of US$ and % change from previous year)(1)

	December 31,													
	2006		2007		2008		2009		2010		2011		2012	
	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%
Monetary issue....	2,076.3	10.6	2,625.6	26.5	2,527.2	(3.7)	2,541.5	0.6	2,918.8	14.8	3,140.8	7.6	3,360.0	7.0
Monetary base.....	3,361.9	20.8	3,731.4	11.0	3,680.5	(1.4)	3,806.9	3.4	4,255.6	11.8	4,788.7	12.5	5,206.8	8.7
M1......................	5,099.9	18.5	5,832.7	14.4	5,896.1	1.1	5,804.2	(1.6)	6,623.3	14.1	7,341.2	10.8	7,741.1	5.4
Quasi-money.......	5,916.1	19.0	6,094.6	3.0	6,648.7	9.1	6,898.9	3.8	7,997.6	15.9	9,301.4	16.3	10,336.2	11.1
M2......................	11,574.6	18.8	12,710.0	9.8	13,389.6	5.3	13,719.0	2.5	15,916.3	16.0	18,080.8	13.6	19,618.7	8.5

(1) Translated from Q to US$ at the reference exchange rate for the date indicated.
Source: Bank of Guatemala.

Supervision of the Financial System

The following has information regarding the risk categories and loan-loss reserve requirements in effect as of December 31, 2012.

Risk Categories and Required Loan-loss Reserves
(As % of total loans in financial systems)

	Commercial and Consumer Loans		Mortgage Loans	
Category	Loan-loss reserve	Criteria (days past due)	Loan-loss reserve	Criteria (days past due)
A	0.0	0 to 30 days	0.0	0 to 30 days
B	5.0	31 to 90 days	5.0	31 to 90 days
C	20.0	61 to 120 days	20.0	91 to 180 days
D	50.0	121 to 180 days	50.0	181 to 360 days
E	100.0	over 180 days	100.0	over 360 days

Source: Superintendence of Banks.

The following table has information regarding loans of the banking system by risk category as of September 30, 2012.

Classification of Aggregate Assets of the Guatemalan Financial System
(In millions of US$)(1)

Category	Banks	Finance firms	Offshore bank	Total	Percentage
A..	12,288	141	1,556	13,985	93.4%
B..	391	4	58	453	3.0%
C..	130	1	9	140	0.9%
D..	82	2	5	88	0.6%
E..	263	5	37	305	2.0%
Total	13,153	153	1,665	14,972	100.0%

(1) Converted from Q to US$ at the official exchange rate.
Source: Superintendence of Banks.

The following table includes information regarding past-due loans.

The Guatemalan Financial System—Past-Due Loans
(As % of total loans)

	Past-Due Loans as % of Total Loans (1)
As of December 31, 2005	2.2
As of December 31, 2006	2.0
As of December 31, 2007	1.6
As of December 31, 2008	2.4
As of December 31, 2009	2.7
As of December 31, 2010	2.1
As of December 31, 2011	1.6
As of December 31, 2012	1.3

(1) Loans not paid at maturity.
Source: Superintendence of Banks.

Financial system performance

The assets of the banking system stood at Q197,110.7 million (US$24,943.5 million) as of December 2012, having increased by Q22,212.2 million (US$2,810. million) in comparison to December 2011. The loan portfolio of Q109,245.1 million (USS 13,824.5 million) was 55.4% of total assets, an increase of Q17,466.2 million (US$2,210.3 million), or 9.0%, compared to December 2011.This result was influenced by the country's improved economic performance, which was 3.0% in 2012, estimated by the Bank of Guatemala.

The investment portfolio of banks consists mainly of Central Government and Bank of Guatemala securities. As of December 2012, investments reached Q44,557.8 million (US$5,638.6 million), a Q962.1 million (US$121.8 million) increase, 2.2%, over 2011 end of year levels. The concentration on government securities was strength during the international financial crisis.

Non-performing loans as a proportion of the gross loan portfolio evolved favorably, dropping to 1.3% as of December 2012, after having reached an eight-year maximum of 2.7% in 2009. The improvement in the last three years was the result of greater efforts by banks to manage their non-performing portfolio.

Coverage of the non-performing loan portfolio increased markedly due to increasing levels of reserves in compliance with the provisioning program contained in Resolution JM-167-2008. Accordingly, the indicator rose from 140.8% in 2011 to 155.7% as of December 2012.

The structure of the liabilities of the Guatemalan banking sector shows a strong base of domestic deposits. As of December 2012, deposits stood at Q146,729.8 million (US$18,568.0 million), Q13,888.7 million (US$1,757.6 million) more, or 10.5%, than the previous year. Forty-one percent of deposits were demand deposits, 37.6% were term deposits and, 21.1% were savings (passbook) deposits, which together comprised 99.6% of total deposits.

Loans obtained, which are mainly credit lines of foreign banks, grew again, reaching, as of December 2012, Q23,561.1 million (US$2,981.5 million), up by Q5,867.5 (US$742.5 million), 33.2%, when compared to December 2011.

In recent years the Guatemalan banking system has strengthened its capitalization. As of December 2012, stockholders' equity in the banking system rose to Q17,801.9 million (US$2,252.7 million), having increased by Q1,441.1 million (US$182.4 million), 8.8% compared to 2011, which was the result of an increase in capital reserves by Q884.5 million (US$111.9 million).

The strength of banks, as measured by the capital adequacy ratio, stood on average at 14.7% as of December 2012. It should be emphasized that this percentage has remained above 12% in recent years, exceeding the 8% required by the Basel Committee on Banking Supervision as the minimum for this indicator. It is also important to note that Guatemala applies a 10% minimum capital requirement to its banks, thereby exceeding applicable regulations.

Bank liquidity, as measured by the cash reserve ratio, was 50.7% on average for the banking system as a whole as of December 2012. This percentage has remained above 45% since 2005, showing that banks have a significant amount of resources that can be used if they face major liquidity requirements.

In the last eight years, Guatemalan banks' profits have continued to trend upward despite the global financial crisis. As of December 31, 2012, profits stood at Q3,066.5 million (US$388.1 million), an increase of Q43.0 million (US$5.4 million), 1.4 %, when compared to December 2011. This was caused by an increase in the investment margin by Q759.5 million (US$96.1 million) and in the services margin by Q52.3million (US$6.6 million). On the other hand, the other operations margin decreased by Q419.8 million (US$53.1 million), and although administrative costs increased by Q313.5 million (US$39.7 million), net operating margin increased by Q78.5 million (US$9.9 million).

Competitiveness and Business Climate

In 2012, there was an increase of 26.9% of foreign direct investment compared to 2011. As of November 30, 2012, there was a total of 49,959 companies registered (5,993 more than in 2011). Meanwhile the World Bank, according to the report named Doing Business ranked Guatemala 93 of 185 economies in terms of business environment, an advance of five positions in the index. The expansion of international commerce in 2012 was underpinned by the execution of the Partnership Agreement with European Union, Convergence Agreement with Mexico, TLC with Peru and partial Agreement with Ecuador. In 2012, the Social Security Institution of Guatemala registered 123,847 new formal jobs, representing an increase of 20.7% compared to November 2011.

The Global Competitiveness Report published by the World Economic Forum, in its 2012-2013 edition, placed Guatemala in the 83th place among 144 countries assessed, one place higher than the ranking from 2011-2012. The report analyzes twelve pillars relating to different aspects of an economy. Guatemala boasts some relative competitive strengths in terms of flexible labor regulations for hiring and firing staff (54th) and wage determination (43rd), efficient financial market development (41st), and the intensity of local competition (46th). However, its competitiveness is hampered by weak public institutional support (130th) and hindered by the very high costs of crime and violence (144th) and low trust of the business community in politicians (122nd).

Regulation of the Financial System

The Superintendence of Banks, acting under the direction of the Monetary Board, supervises and inspects financial institutions. The Monetary Board proposes three candidates and the President chooses and appoints one as the Superintendent of Banks to a four-year term. Banks are required to file monthly and annual reports of external auditors regarding their credit portfolios and liabilities. The Bank of Guatemala may extend emergency advances to banks facing liquidity problems.

As set out in the regulatory framework, all banks have established risk management committees and adopted risk management manuals. In addition, the banking system is in compliance with the principle of "know-your-customer" and other principles to comply with the international standards and has improved its anti-money laundering regime. The Law Against Laundering of Money and Other Assets criminalizes money laundering as well as conspiracy and attempt to commit money laundering. Furthermore, arrangements for sharing information with other supervisors under protection of confidentiality are in place.

There were no commercial bank insolvencies in Guatemala from 1970 through 2000. However, in 2001, the Monetary Board intervened in the operations of three commercial banks and two other financial institutions due to liquidity problems arising out of administrative irregularities, loans to affiliates and regulatory non-compliance. After assessing the status of the financial institutions, the Superintendence of Banks requested that the courts liquidate these entities. Liquidation proceedings are currently underway, pending resolution of suits filed by former shareholders. See " —Financial Sector."

The Bank of Guatemala has promulgated reserve requirements that must be followed by all banks. The reserve requirement or *encaje* consists of a compulsory deposit with the Bank of Guatemala of an amount equal to 14.6% of total deposits. Besides the mandatory reserve of total deposits, the banks have to deposit with the Bank of Guatemala 14.6% of funds from the issuance of bonds and financial promissory notes. The same percentages apply to operations in foreign currency.

As a result of the monetary and financial reform, that included the approval of the Banks and Financial Groups Law, it was necessary to set regulation regarding risks management, disclosure of information, the fund for savings protection, market exit regime, penalty regime, and minimum requirements for hiring external auditing and its scope; such regulations are based in the best international practices and standards regarding prudential matters.

Regarding risk management regulations, the Regulation to Determine the Minimum Amount of Required Capital for Risks Exposure (2004) classified assets and contingencies according to its risk level. The Credit Risk Management Regulation (2005) regulated the credit process, the minimum information of financial appliers or debtors, guarantees, valuation and classification of credit assets, and specific and general provisions, the latter assured that the banking system had 100% coverage of the overdue portfolio. More recently, the Liquidity Risk Management Regulation (2009) required financial entities to estimate its liquidity risk exposure and tolerance level and also to have liquid assets in a timely manner in order to assure the fulfillment of their immediate obligations. The Credit Exchange Risk Regulation (2009) stated capital requirements to cover losses resulting from unpaid foreign exchange balances. The Comprehensive Risk Management Regulation (2011) states that financial institutions, through their Board of Directors, have to set the process to identify, measure, monitor, control, prevent and mitigate credit, market, operational, country and other inherent risks related with the banking and financial business. Furthermore, the Technology Risk Management Regulation (2011) enhances the overall risk management scheme by requiring financial institutions to set risk management practices in order to include technology risk in the scope of both the Board of Directors and the Risk Management Committee. This poses an important element of the comprehensive risk management effort since financial institutions rely heavily on information technology to carry out their activities.

The Market Exit regime rules are stated in the Assets and Liabilities Exclusion Board Regulation (2002) which provide for suitability and functions of all people who comprise such board, as well as faculties regarding the assets and liabilities exclusion process. Regulation for the Savings Protection Fund (2002) states the role of such fund in the mentioned process of exclusion of the suspended bank. These mechanisms were applied in the successful market exit of Banco del Café, S. A. (failed in 2006) and Banco de Comercio, S. A. (failed in 2007), which proved that the regulation set and the follow-up process led by the regulator were appropriate.

Notwithstanding the Government's efforts to improve the regulation and supervision of the financial system, the Government cannot assure that insolvencies and financial fraud or other irregularities will not occur in the future.

Regarding domestic cooperation, Governmental Agreement No. 132-2010, in force as from May 21, 2010, created an Inter-Institutional Coordinating Committee called "Presidential Commission to Coordinate Anti Money Laundering and Counter Terrorist Financing efforts in Guatemala," composed of the Vice-President of the Republic (presiding and coordinating), Minister of Foreign Affairs, Minister of the Interior, Secretary of Strategic Intelligence from the Presidency of the Republic, Civil Intelligence General Director, Superintendent of Internal Revenue, and the Superintendent of Banks; with the capability of inviting the President of the Judiciary Body and Supreme Court of Justice and the Attorney General of the Republic. The Committee has also invited the President of the Central Bank, Minister of Economy, and the General Secretary for Management of Forfeited Property ("SENABED").

In addition, the Superintendence of Banks has been working in four important projects: a) Credit Card Law; b) Microfinance Institutions Law; c) Securities Market Law, and d) Credit Unions Law. In this regard, the Credit Cards Law has been discussed with various sectors, including the government authorities, and the proposed law has been sent to Congress and is under evaluation by its members.

Amendments made to the banking and financial laws

On September 26, 2012, the Congress of the Republic of Guatemala issued Decree Number 26-2012 introducing important amendments to the Banking and Financial Groups Law and the Bank of Guatemala´s Organic Law, approved by decrees number 19-2002 and 16-2002, respectively. These reforms will take effect on April 1, 2013. Such reforms reinforce the institutions licensing and functioning regime and also the bank resolution mechanisms. Moreover these reforms also strengthen prudential issues of the financial regulation and promote market discipline. The major reforms are the following:

Institutions licensing and functioning regime

- In connection with the participation of legal entities as organizers and / or shareholders of banks, an exemption was introduced to exempt them from the obligation to identify the final owners of shares of publicly traded entities listed in formal financial markets, when they have a credit rating conferred by a highly recognized rating agency.
- In offshore banking developments, it is now required that institutions report in writing to their depositors that the legal regime applicable to their deposits is related to the country where such entities are incorporated. Also, it was established that all deposit accounts must meet a minimum amount, both in terms of account opening value and average monthly balance. If this minimum is not met then the account must be canceled.

- There are now more legal grounds to revoke the operating license of offshore banks, among which are the following: the conviction for money laundering or financing of terrorism, submitting either false information or documentation, the closing of the entity, the exit of its financial group, and presenting significant capital impairment.
- With regard to the central bank's role as a lender of last resort, the maximum amount of credit to be granted to commercial banks with liquidity needs was extended. The period in which these commercial banks have to repay such credit was extended too.

Prudential issues

- With regard to investment limits for banks, the more important changes are the following: limits will also apply to offshore banks and entities specialized in financial services; all connected parties will be considered one single risk unit so all of them are to be subject to one single limit; a limit was introduced for offshore banks investments in foreign sovereign debt; a limit was introduced for banks and finance firms investments in foreign sovereign debt. Also, the excess of these limits shall be deducted from regulatory capital which will directly affect the capital ratio. Additionally, the reforms provide for that all funding granted to connected parties must be approved by the corresponding entity's Board of Directors.
- It was established that the Superintendency of Banks may limit distribution of dividends for banks, finance firms and offshore banks, when deemed necessary to strengthen the liquidity or solvency of the corresponding entity.
- With regard to regulatory capital requirements, the reforms make adjustments to Tier 1 capital so that its components constitute stable and permanent resources. Hybrid bonds may be included within Tier 2 capital. The obligation to use a cumulative discount factor in the final years of maturity of subordinated debt was also established.

Market discipline

- As a key factor for strengthening market discipline for banks, finance firms and offshore banks, it is now required for such entities to have a credit rating issued by an internationally recognized rating agency. Such agency must be registered with the Superintendency of Banks.

Bank resolution mechanisms

- According to the faculties of the Assets and Liabilities Exclusion Board, the reallocation of a suspended entity's assets can be carried out by an amount equal to the liabilities set out in law and the disposition of these assets may be effectuated through competitive procedures involving banks. Also, regarding to the reallocation of liabilities of any suspended entity, when the estimated value of assets allows it, a specific priority is determined for liabilities for exclusion as follows: deposits, bonds and promissory notes. Notwithstanding, it is indicated that the Monetary Board may authorize the Assets and Liabilities Exclusion Board to dispose of assets and transfer liabilities to financially sound foreign banks, which will be authorized then to temporarily operate in the country as a branch of a foreign bank.
- It is established that, within the funding sources of FOPA, government contributions shall aim to strengthen the financial position of the Fund, at the request of Bank of Guatemala.
- With regard to the fees that banks must contribute to FOPA, two components are now required, one fixed and one variable. The fixed component is raised to 2 per thousand of the total amount of depository obligations, and the new variable component will be determined based on the risk posed by the respective bank and may get to be a maximum of 2 per thousand of the total amount of depository obligations.

Inflation

The average inflation rate from 2006 through 2012 was 5.5%, slightly above the inflation targets for those years. This result was caused mainly by external and internal factors that have influenced the evolution of domestic prices. Among the external ones, it is important to highlight the effects of higher prices of some commodities. In 2012, the inflation rate was impacted by a number of factors: the decrease in the average price of propane and white corn, and also by stable oil prices. At the end of the year a reduction in worldwide demand led to lower international prices, especially in developed economies (including the U.S. and European Union). During the first quarter of 2011, oil prices increased due to geopolitical factors in some countries in the Middle East (i.e. Egypt, Libya). Moreover, in 2007 and 2008, corn and wheat prices increased significantly, which in turn had an important impact on food prices. The same situation was also evident in 2010 and 2011. During the first half of 2011, the prices for yellow and white corn increased sharply, but then decreased during the second half of the year. With respect to internal factors, adverse effects caused by weather phenomena such as Tropical Storm

Agatha, the eruption of a volcano near Guatemala City in 2010, and the Tropical Depression 12E in 2011, had a moderate effect on the agricultural production of the country.

The following table shows changes in the consumer price index for the years indicated.

Variation in Consumer Price Index
(%)

	End of Period
2006	5.8
2007	8.8
2008	9.4
2009	(0.3)
2010	5.4
2011	6.2
2012	3.5
January	5.4
February	5.2
March	4.6
April	4.3
May	3.9
June	3.5
July	2.9
August	2.7
September	3.3
October	3.4
November	3.1
December	3.5

Source: Bank of Guatemala and INE.

Since April 2011, the consumer price index is calculated using information from a new basket of goods (December 2010=100). This new basket compiles information from eight geographical regions in 24 major urban centers with a total of 441 varieties of products (goods and services). The previous basket (December 2000=100) was in place until March, 2011 and included 424 varieties of products (goods and services). To date, the modification of the basket has not had a material effect on Guatemala's inflation rate.

International Monetary Reserves

An adequate level of net international monetary reserves ("NIR") allows a country to maintain a strong external position, improves its access to international capital markets and reduces the vulnerability to exogenous shocks. In this regard, the Guatemala's NIR registered US$6,693.8 million by the end of 2012, which represented an increase of US$505.9 million on top of the level observed at the end of the previous year. The amount of NIR held at the Bank of Guatemala by the end of 2012 could cover 4.6 months of imports (4.7 in 2011), the equivalent of 10.6 times the amount of the country's external debt service in one year (11.1 times in 2011).

The following table sets forth the net international reserves of the banking system as of the dates indicated.

Net International Reserves of the Banking System
(In millions of US$)[(1)]

	December 31,						
	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Bank of Guatemala:							
Assets[(2)]	4,061.1	4,320.3	4,658.8	5,212.6	5,953.8	6,187.9	6,693.8

Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	4,061.1	4,320.3	4,658.8	5,212.6	5,953.8	6,187.9	6,693.8
Commercial private banks:							
Assets	362.8	453.8	393.3	503.2	448.7	569.1	657.0
Liabilities	(1,371.7)	(1,812.7)	(1,558.9)	(1,184.5)	(1,328.9)	(2,138.9)	(2,818.7)
Total	(1,008.9)	(1,358.9)	(1,165.6)	(681.3)	(880.1)	(1,569.8)	(2,161.7)
Net international reserves of the banking system	3,052.2	2,961.4	3,493.3	4,531.3	5,073.7	4,618.1	4,532.1

(1) Translated from Q to US$ at the reference exchange rate as of the date indicated.
(2) Amounts also reflect the gross international reserves of Bank of Guatemala.
Source: Bank of Guatemala.

Capital Markets

The Guatemalan capital markets have grown in recent years with the modernization of the financial system. Guatemala has sought to create a legal framework to support the transparent and efficient operation of its security markets and, to that end, enacted the Stock Market Law in December 1996. There is currently one security exchange registered in the *Registro de Mercado de Valores y Mercancías*: the *Bolsa de Valores Nacional, S.A.* (National Stock Exchange). Initially, the exchange developed primarily for the trading of government debt securities. More recently, they have served as interbank markets on which overnight and short-term deposits, as well as government debt securities, are traded. The interbank positions traded typically are collateralized with public sector securities, making these transactions comparable to repurchase transactions.

In 2011, the total trading volume on the National Stock Exchange was approximately Q425,596.0 million (US$54,679.8 million). In this sense, the volume traded in public central government debt during 2011 was Q4,713.7 million (US$605.6 million), compared to Q2,796.6 million (US$359.3 million) on 2010. It is estimated that at the end of the year 2012, the total trading volume reached Q515,098.8 million (US$65,228.1 million) and the volume of negotiation of government public debt securities shall reach Q4,402.8 million (US$557.5).

Debt of the Bank of Guatemala

In 2005, the Bank of Guatemala reduced the external debt stock by US$2.0 million, of which US$1.5 million corresponds to the regularization of the financial accounts balances of the Stabilization Bonds of 1983, 1984 and 1988.In 2006, Bank of Guatemala repaid its outstanding external debt balance of US$0.3 million.

Capital Markets Law

The principal laws and regulations that govern our capital markets are the *Código de Comercio de Guatemala* (the Guatemalan Commercial Code) and the *Ley del Mercado de Valores y Mercancías y su reglamento* (the Capital Markets and Merchandise law and regulations).

The Guatemala Commercial Code (Decree Number 2-70)

The Guatemala Commercial Code sets forth rules and regulations for the formation of business entities, including corporations, partnerships and rules for capitalization and capital raising transactions. This law also governs the liability of shareholders, the minimum capital requirements, classes of shares, voting rights, rights of shareholders, transfers of registered shares, ordinary and extraordinary general meetings, among other areas.

Capital Markets and Commodities Law (Decree Number 34-96)

The Capital Markets and Commodities Law regulates broker-dealers, and transactions in securities, public offerings, the stock markets and other financial agents and institutions (intermediaries). This law also regulates the Securities Market & Commodities Registry that has within its powers, the registration of stock exchanges, and also the scheduled suspension and cancellation of the registration of securities. The law also details the activities stock exchanges, including registration of public offerings, the disclosure of information, as well as reporting requirements. Another area regulated under the law is public offerings by the Bank of Guatemala. The Registry of Securities and Commodities regulations promulgated under this law govern surveillance and monitoring.

In addition, the Capital Markets and Commodities Law (Governmental Agreement Number 557-97), develops the operations, the administrative organization of the Registry of Securities and Commodities, the tariff for payment for services provided, the registration of over-the-counter securities and the updating of information by issuers in the OTC market.

Other regulations issued include the Regulation of Credit Rating Agencies (Governmental Agreement 180-2006), whose purpose is to regulate the registration, cancellation and performance of the rating agencies, including registration and qualification requirements.

The New Securities Market Act Project

Currently under development is a draft Securities Act, which aims to adopt international standards in terms of the securities market and incorporate the best practices of developed countries, including the following:

- establishing a supervisory and regulatory body which will oversee the stock exchanges and investment fund managers, among others;
- establishing and strengthening eligibility requirements for stock exchanges and investment fund managers, among others;
- improving transparency of market information; and
- improving the requirements for securities offering.

PUBLIC SECTOR FINANCES

The Guatemalan public sector consists of the following agencies and ministries of the Government:

- Local governments;
- Non-financial public institutions, including social service, education and development institutions;
- Public enterprises; and,
- Public financial institutions.

Public Sector Budget Process

Under the Guatemalan Constitution, a general, centralized budget for income and expenditures for the Republic must be prepared annually and approved by November of each year. The Constitution permits public sector entities to have separate budgets when specifically authorized by law, but such budgets must incorporate the level of transfers to these entities approved in the Government budget, and then, be submitted to the executive branch and Congress for their information. Although certain revenues can be earmarked for specific purposes, public revenues are centralized, and separate, direct funding of public sector entities is, in principle, no authorized, except as specifically permitted by law. The Constitution requires transparency in public spending and, accordingly, prohibits any confidential expenditure. All public entities that use private funds must publish in detail, the source and use of such funds within six months of the end of the year. Under the Constitution, public sector revenues and expenditures, as well as related financial matters are audited by the Comptroller General of Accounts.

Government

The budget process is set forth in the Constitution and the Organic Budget Law. The Minister of Public Finance has the primary responsibility for preparing budget proposals. Early in the year, the Minister of Public Finance, together with the *Comisión Técnica de Finanzas Públicas* (Technical Commission of Public Finance), develops the strategy for the formulation of the following year´s. The President then promulgates the goals for each ministry and agency for the coming year, including guidelines to be used in determinig the level of expenditure for each government agency. After consultations from the Bank of Guatemala and the *Secretaría de Planificación y Programación de la Presidencia* (Secretary of Planning and Programming), the *Dirección Técnica del Presupuesto del Ministerio de Finanzas Públicas* (Technical Budget Office of the Ministry of Public Finance) prepares the preliminary budget. Technical analysts from the Technical Budget Office visit each the regions of Guatemala to discuss the budget with the Regional Development Councils and Congressional representatives. The Minister of Public Finance then presents the preliminary budget to the Economic Cabinet, which consists of the Minister of Agriculture, Livestock and Food, the Minister of Mines and Energy, the Minister of the Economy, the Minister of Public Finance, the President of the Bank of Guatemala, and the Secretary of Planning and Programming. The Economic Cabinet then analyzes the budget and presents its recommendations to the Minister of Public Finance, who, after making revisions, presents the budget to the entire Cabinet for final approval by the executive branch.

The President, through the Minister of Public Finance, must presents the proposed budget to Congress on September 2 of each year. The Minister of Public Finance is then called before Congress to explain the budget proposal in a series of plenary and committee hearings. The Finance Committee of Congress evaluates the budget proposal and forwards its recommendation to Congress for consideration. Congress has the authority to accept, reject or amend the proposal, but may only increase the total amount of expenditures if it concurrently specifies a source of additional revenues to cover the increased spending. If Congress rejects the budget for the next year, the Organic Budget Law specifies that the existing budget will continue into the next year, with any amendments that Congress may enact. Congress has until December of each year to consider and approve the budget. Amendments to the budget during the course of the year follow a process, similar tp that required for original approval described above.

The 2013 budget was approved on November 30, 2012 base on the Decree No. 30-2012, and went into effect on January 1, 2013.

Other Public Sector Entities

The Government budget allows transfers from the Government to each of the other entities within the public sector. The budget process of the other public sector entities differs from the Government's process.

Each of the non-financial public institutions and public enterprises prepares its own budget proposal under the supervision of the Technical Budget Office, taking into account any transfers made to the entity in the Government budget. INDE (National Electrification Institute) is the only public enterprise exempted from the general budget process; it prepares its own budget then submits it to the Technical Budget Office, in order to inform said office, and develops the governmental agreement in the budget. (See "The Guatemalan Economy-Privatization and the Rule of the State in the Economy-Electricity".) Each non-financial public institution submits its proposal to the Technical Budget Office, which presents its analysis to the Minister of Public Finance for review and approval. The Technical Budget Office then prepares the governmental agreement in the budget of the non-financial public institutions, which is signed by the Ministry. The final budget for each non-financial public institution incorporates the respective level of transfer that is stated in the final Government budget, promulgated by December the 1st of each year. The budget for each non-financial public institution must be approved by December 15 for the coming year, and, once approved, the budget is sent to Congress for its information and integration into the national budget.

Municipalities prepare their own budgets with the advice of the Municipal Development Institute. Municipal budgets are not subject to the approval of the Ministry of Public Finance or Congress. Under the Constitution, municipalities and certain national entities that are granted autonomous and decentralized status may act by delegation of national powers. All such autonomous and decentralized entities must act in accordance with the general policies of the nation. The activities of these entities may be made subject to Governmental approval, by operation of law, and can be countermanded by Congress by means of a dissolution or suspension order agreed by two-thirds majority vote. Autonomous and decentralized entities can be authorized by law to maintain separate budgets and private funds, provided, that such budgets and funds continue to be subject of integration in the central budget and controlled by the central authorities. The Constitution mandates that 10% of the ordinary revenues of the Central Government must be transferred to municipalities after mandatory expenditures. This share of Government revenues is divided among the municipalities with a formula provided.

Public financial institutions prepare their own budgets, taking into account any transfers to such institutions established in the Government budget. The San Carlos, which has several campuses throughout the country, delivers a report of its financial situation revenues, expenditure, budgets and activities, to the Government and the Congress. The University receives a constitutionally mandated 5% of the ordinary revenues of the Central Government and prepares its own budget.

Public enterprises are legal entities created with the purpose of producing goods and services to the market, also can be profitable for the government units that controls them. They are classified in financial or non-financial companies. The first is engaged in financial intermediation or auxiliary financial related activities, while the latter is engaged in non-financial activities.

Public enterprises are subject to government units' control – being understood to mean the ability to determine a company's policy through the election of directors, if necessary. The Government has control of a company if:

- It has more than half of the shares entitled to vote or controls more than half of the voting rights of the shareholders, or
- If, as a result of legal provisions, it is authorized to decide on the policies of the corporation or appoint directors.

Public enterprises report earnings to the State, for its equity stake. In addition, they are self-financing and the State is not obligated by law to absorb losses, except in the case of the bank "Crédito Hipotecario Nacional (-CHN-)", which as a state-owned bank, enjoys an unconditional and unlimited guarantee.

Public Budget

Public budgets are the annual expression of the State planning, prepared in accordance with the strategy of economic and social development. The Organic Budget Law establishes that the amounts of revenues and expenditures of the State allocated in the general budget are not required to be fully spent, as long as they achieve the programmed goals.

Current legislation allows for budgetary adjustment measures. The Congress of the Republic can make changes to increase the budget based on a decree and the Ministry of Public Finance is able to make appropriate adjustments in the budget, which includes cuts and suspension of credits or changes in sources of allocating funds due to current revenues that are lower than those contained in the budget estimates of revenue and expenditures. Budget changes may be made, if it's required, during the execution through transfers between institutions involving the creation, increase or decrease of some categories of expenditure, also changes in the financing source between programs and subprograms within the same program.

In all cases, the transfers must be communicated to the Technical Budget Office, within 10 days of its approval.

Below are figures for the budget execution in 2012.

Central Government
Budget Execution
Fiscal year 2012
(In millions of US$*)

ENTITIES	BUDGET	ACTUAL
President of the Republic	25.5	24.9
Ministry of Foreign Affairs	39.8	39.4
Ministry of the Interior	433.9	393.5
Ministry of National Defense	224.6	224.4
Ministry of Public Finance	38.5	37.4
Ministry of Education	1,265.9	1,225.0
Ministry of Health and Social Assistance	563.4	539.8
Ministry of Labor and Social Security	72.5	71.3
Ministry of Economy	30.9	29.7
Ministry of Agriculture, Livestock and Food	192.0	180.8
Ministry of Communications, Infrastructure and Housing	731.1	669.4
Ministry of Energy and Mines	25.6	25.6
Ministry of Culture and Sports	47.6	38.2
Secretariats and other Executive Branches	224.7	185.9
Ministry of Environment and Natural Resources	14.3	13.1
Obligations of the State Treasury	2,491.4	2,448.7
Public Debt Services	1,080.5	1,075.8
Ministry of Social Development	157.8	140.5
Attorney General´s Office	7.8	7.4
Total	**7,667.8**	**7,370.9**

* Translated from Q to US$ with the daily average of exchange rate of the year.
(1) Data to December 31, 2012.

For the purpose of attending to the most urgent needs of the population, during 2012, a budgetary reorganization was effected, which created some differences between the original budget and the real amount spent. For example, as a result of the earthquake of November 7, 2012 certain budgetary transfers were carried out between government institutions in order to cover unforeseen costs which were caused by the earthquake such as health services, housing reconstruction and rehabilitation of damaged infrastructure.

In that respect, the budgetary spending for 2013 also includes important goals concerning the financing of the reconstruction of damaged public infrastructure.

The following table sets forth information regarding public sector accounts for the years indicated.

Central Government Accounts
(Millions of US$, except the indicated) (1)

	2006	2007	2008	2009	2010	2011	2012
Fiscal revenue:							
Current revenues							
Taxes							
Import duties	342.4	345.8	321.1	262.0	293.9	325.4	296.9
Taxes on goods and services (including VAT)	2,233.3	2,635.1	2,806.9	2,444.6	2,740.1	3,218.3	3,476.0
Estate and real estate taxes	1.2	1.9	2.1	1.2	1.3	1.8	1.2
income taxes	1,005.8	1,127.7	1,283.1	1,188.8	1,280.9	1,631.2	1,727.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total tax revenues	3,582.7	4,110.5	4,413.2	3,896.5	4,316.3	5,176.7	5,501.5
Social security contributions	77.0	85.8	98.8	112.9	132.7	156.0	163.6
Non-Tax revenues (2)	134.4	124.7	129.2	97.9	125.0	134.5	162.4
Public services	33.2	36.7	47.7	28.8	35.9	43.5	51.4
Other	101.2	88.0	81.5	69.1	89.1	91.0	111.1
total non-tax revenues	211.3	210.5	227.9	210.8	257.7	290.5	326.1
Current transfers	48.7	55.4	61.6	60.4	68.1	75.5	50.0
Other current revenues							
Total current revenues	3,842.7	4,376.4	4,702.8	4,167.7	4,642.2	5,542.7	5,877.5
Capital revenues							
Capital income	4.6	3.5	4.1	1.4	3.5	1.7	1.2
Total capital revenues	4.6	3.5	4.1	1.4	3.5	1.7	1.2
Total fiscal revenue	3,847.4	4,379.9	4,706.9	4,169.1	4,645.7	5,544.3	5,878.8
Expenditures:							
Current expenditures:							
Consumption expenditures	1,392.6	1,538.7	1,931.1	2,073.0	2,348.6	2,769.8	3,085.1
Interest on public internal debt	197.8	237.4	289.3	290.9	342.8	431.0	506.1
interest on public external debt	220.8	269.7	243.3	244.9	270.4	272.5	267.7
Social security contributions	240.5	261.3	310.5	340.0	369.8	404.3	424.7
Current transfers	792.3	922.1	815.6	868.0	970.5	1,104.0	1152.2
Total current expenditures	2,844.0	3,229.2	3,589.8	3,816.8	4,302.0	4,981.6	5,435.8
Capital expenditures							
Real investment	486.9	607.9	736.8	686.7	762.1	874.4	510.8
Financial investment	7.6	7.8	20.1	0.1	0.1	0.8	0.3
Capital Transfers	1,097.0	1,026.4	992.2	850.2	942.0	1,018.1	1,160.7
Total capital expenditures	1,591.5	1,642.2	1,749.1	1,537.0	1,704.2	1,893.4	1,671.8
Total expenditures	4,435.5	4,871.4	5,338.9	5,353.8	6,006.2	6,875.0	7,107.6
Fiscal Balance:							
Current account balance	998.7	1,147.2	1,113.0	351.0	340.2	561.1	441.7
Capital account deficit	(1,586.9)	(1,638.7)	(1,745.0)	(1,535.6)	(1,700.7)	(1,891.7)	(1,670.6)
Fiscal surplus/(deficit)	(588.1)	(491.5)	(632.0)	(1,184.7)	(1,360.5)	(1,330.6)	(1,228.9)
Financing:							
Net foreign financing	377.1	396.2	112.4	504.3	634.3	48.6	737.8
Net domestic financing	495.0	406.5	267.1	537.5	766.0	1,067.1	259.5
Payment of policy monetary cost	152.5	77.4	52.0	0.0	0.0	0.0	43.2
Other financing sources	(131.4)	(233.8)	304.6	142.8	(39.8)	215	274.8
Total financing	588.1	491.5	632.03	1,184.7	1,360.5	1,330.6	1,228.9
GDP	30,231.2	34,110.9	39,143.0	37,722.0	41,349.9	46,992.2	49,895.9
Nominal exchange rate	7.603	7.674	7.559	8.164	8.056	7.783	7.783
Government revenues as % of GDP	12.7%	12.8%	12.0%	11.1%	11.2%	11.8%	11.7%
Government expenditures as % of GDP	14.7%	14.3%	13.6%	14.2%	14.5%	14.6%	14.2%
Surplus/(deficit) as % of GDP	-1.9%	-1.4%	-1.6%	-3.1%	-3.3%	-2.8%	-2.4%

(1) Converted from Q to US$ with the daily average of exchange rate of the year.
(2) Includes foreign aid
(3) Estimate

Source: Ministry of Public Finance.

Tax Regime

Taxes are collected by the Tax Administration Authority (Superintendencia de Administración Tributaria, SAT) except for some municipalities and immovable property, royalties and oil taxes. The Tax Administration was created in 1998 supported by the World Bank which loaned US$28.2 million for its creation, and its purpose is to improve the collection using modern procedures.

The following table sets forth the composition of the republic's tax revenues for the years indicated.

Tax Revenues of the Republic Descendent order
(As % of total tax revenue)

	2006	2007	2008	2009	2010	2011	Budget 2012	Executed 2012
Import duties	9.6	8.4	7.3	6.7	6.8	6.3	6.0	5.5
Taxes on goods and services (including VAT)	62.3	64.1	63.6	62.7	63.5	62.2	62.7	61.3
Estate and real estate taxes	0.03	0.05	0.05	0.03	0.03	0.04	0.02	0.02
Income taxes	28.1	27.4	29.1	30.5	29.7	31.5	31.3	33.2
Other taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total tax revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Integrated Accounting System, or "SICOIN," Ministry of Public Finances.

The Republic historically, has experienced low levels of tax collection due to:

- A business and commercial culture that accepts and assumes the non-payment of taxes;
- Tax avoidance and evasion; and,
- Collection problems caused by difficulties in obtaining and managing information on taxpayers. Constitutional provisions on privacy and bank secrecy have been invoked to avoid sharing taxpayers´ financial information. Currently, changes in this area through a reform to the Banks and Financial Groups Law, are under review by the Congress of the Republic.

As a result of the strategies used by the Government to improve tax collection, the ratio tax revenues/GDP increased from 10.6% in 2000 to 12.1% in 2007. Despite the efforts, tax revenues/GDP contracted 10.3% on 2009, and 10.5% in 2010, as consequence of the global economic crisis, but experienced a slight improvement in 2011, when it rose to 11.0%. For 2012 the tax revenues/GDP continued at 11.0%

The tax system is composed by the following concepts:

Income tax

Up to December 31, 2012, Corporate Income Tax consisted of the following regimes:

a) General Regime, which includes a flat tax of 5% of gross revenues.

b) Optional Regime, which includes a corporate tax of 31%, of the net income.

Individual persons whose main income source comes from the rendering of personal services as employees, whose gross income is comprised of salaries and wages, commissions, representation expenses, bonuses (including a mandatory bonuses created by Decree No. 78-89) and other similar remunerations; are subject to a withholding tax on a progressive base, with rates from 15% to 31%.

The income tax paid for an individual is the sum of a fixed base amount plus a percentage of any amount exceeding the base amount for each bracket.

The Ley de Actualización Tributaria (Decree 10-2012) established a new income tax, that came into effect in

January 2013. Below, we explain this new law.

Value-Added Tax

Guatemala has a value-added tax that is levied on the sale of goods, services, leases and imports. The general rate is 12%. In addition, exports are exempt. Similarly, other items are exempt for VAT purposes, such as: financial services; basic foods sold in rural and municipal markets up to Q100.00; sale of houses up to 60 mts^2; services rendered by educational, social assistance and religious institutions; and sales of generic drugs of natural origin, among others.

Tax on Interest

For imports, the taxable basis is the customs value or CIF value, including customs duties. VAT paid on imports and on local purchases and services may be deducted from VAT surcharged on sales or services rendered.

The Republic imposes a 10% withholding tax on interest earned on investments, with certain exceptions, including interest paid by banks, insurance and bonding companies, financial institutions and other entities supervised by the Superintendence of Banks, which is the sum of a fixed base amount plus a percentage of any amount exceeding the base amount for each bracket.

Solidarity tax

On December 2008, through Decree No. 73-2008, the Congress of the Republic established the Solidarity Tax-ISO on individuals and corporations, trusts, participation contracts, irregular societies, societies in fact, branches, agencies or temporary or permanent establishments of foreigners operating in the country, co-properties, community of goods, assets and other inherited undivided forms of business organizations, which have their own assets, carry out commercial or agricultural activities in the country and obtain a gross margin greater than four percent (4%) of their gross income. The current rate for the ISO is 1%, while the tax base is either one fourth of the net assets value, or one fourth of gross income, whichever is larger. ISO payments are accruable to the income tax.

Other taxes

Tax revenues are complemented by a group of taxes with a small share in the total and levied different concepts: import duties, excise (alcoholic beverages, tobacco, cement, oil derivatives), stamps, vehicles registration, vehicles circulation, royalties, among other.

Fiscal Pact for Change

As part of the Government's Agenda for Change, it has begun to adopt tax policies for the period 2012-2015 with the purpose to foster competitive economic development and establish coherent economic policies that seek stable growth. The tax policy agenda is integrated by constitutional commitments and efficient fiscal management to reduce an increase and reduce investment impediments. Also includes the commitments established in the peace accords. The goal of this tax policy is to obtain sufficient resources to finance the program implied in the Agenda for the Change; poverty and hunger decrease, security foster, justice and the development of stable economic growth.(See "Republic of Guatemala— Government Program for Change – Change Agenda").

The Fiscal Pact for Change seeks the achievement of the objectives of the policies by increasing tax revenues, developing an efficient and transparent fiscal management, fostering competitive and economic growth, reducing the fiscal deficit while allowing sufficient resources to confront national emergencies and maintaining an appropriate level of debt. The specific initiatives aim to enhance transparency and improve cost management by the creation of a planning system based on the country's strategic priorities, including a results-based budgeting system which ties the national statistical services of social planning with goal-settings.

The Government´s is seeking to strengthen the coordination between the Ministry of Finance and other public institutions, adopting legal reforms in a wide range of areas, including laws governing the executive branch, the employees public budget, civil service, and public contract administration. Also aims to enact new legislation, including public trusts, unjust enrichment restrictions, Government's planning and administration.

Another priority of the Government is the modernization of the Government's procurement system to establish clear and tangible guidelines for Request For Proposals (RFPs) and a greater coordination between governmental audits and accounting systems.

The Government proposal is to enhance competitiveness and promote economic growth through the implementation of a new "National Competitive Program" which aims to attract investment by developing a portfolio of viable investment projects, promote the country's production and export capabilities and open new markets in Asia and Europe. Also, strengthen the Central America Customs Union as a way to expand the domestic market with a regional accomplishment and the reduction of regulatory impediments. A more robust and competitive infrastructure will be achieved by developing alliances with public and private partnerships in the development of roads, ports, airports and broad-band telecommunications systems.

2012 Tax Reform

On January 26, 2012, through the decree 4-2012 (Law Against Evasion II), the Government took the first step in the implementation of the Fiscal Pact for Change and approved several tax amendments to the income tax law, value added tax law, vehicles circulation tax law, tax code, tobacco law and criminal code. This reform is complemented by a broader package of amendments approved by Congress on March 5, 2012, through the decree 10-2012. The March 2012 (Tax Administration Updating Law). This reform included a new income tax, which took into effect in January 2013, as well as the additional reforms to customs regulations and a new vehicle registration tax.

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Reforms to Limit Tax Evasion

Decree 4-2012 was published in the Official Journal (Diario de Centroamérica) on February 17 of 2012. The reform is currently the greatest achievement concerning fiscal issues since this body of law empowers the tax administration to combat tax noncompliance. On that, the new regulation provides tools and carries out changes aimed at reducing tax evasion and increase tax basis.

The government also aims to combat the tax evasion through several initiatives, including the implementation of a new tax evasion law, performance-appraisal for tax service employees, enhance banking and financial information and reporting, electronic invoicing and greater information sharing among government institutions.

Additional reforms include:

- Amendments to the Criminal Code regarding fiscal simulation in order to prevent fraudulent tax structures.

- Additional information of disclosure provisions. Any individual or entity, including the State and its decentralized or autonomous entities, co-properties, irregular companies, partnerships and other entities in fact, even if they have no legal status, must provide information on events, contracts, business activities, professional or another nature to the Tax Administration Authority (SAT) to verify the identification or generation of taxes.

  An exception is made for protected data by the Constitution of the Republic of Guatemala and special laws subject to payment of tax or taxable events. The Tax Administration Authority (SAT) receives the information subject to confidentiality and have to comply with the requirements of procedures legally established.

- The Tax Administration Authority (SAT) may install control devices or systems that bring information concerning production, imports, distribution, sale, transportation and marketing of goods or services; telecommunications traffic operations, taxpayer's control mechanisms such as traffic systems, telecommunications, manufacturing, packaging, loading, unloading, or transportation of goods and services producers, importers or distributors.

- Few modifications of the existing sanctions on offenses.

- In regards to the reforms introduced to the Tax Code, it is worthy to recognize the power that has been granted to the tax authorities to unilaterally reduce the amount of fines and other sanctions such as interests (up to 85% of their original amount) in those specific cases where taxpayers accept the assessments and sanctions imposed. Such power extends to the criminal stage, when the commission of a tax fraud crime is under investigation.

- In regards to the payment of taxes and fines, another important reform to highlight is the increase of the term (18 months) and the cases in which payments in installments are allowed. Prior to this reform, taxpayers could request this benefit only before the expiration date of the tax to be paid. Currently, such benefits can be requested even after the expiration date, regardless the case status (administrative, judicial or criminal).

Income Tax

An ambitious program for tax reform took effect on January 1 2013, which aims to simplify the legal regime governing taxes on income that was previously modified through 15 decrees. By simplifying the tax on income law, the Government seeks to minimize instability and ambiguities that facilitates tax avoidance and evasion. In addition, this tax reform will reduce from 2015 the income tax rate to 25% from the existing rate of 31%, adopt a dividend tax rate of 5%, enhance transfer pricing methods, eliminate complicated partial deduction regimes, and establish a marginal tax rate of 5%. The new tax legislation will also raise personal deductions up to Q60,000.0 of which Q.48,000.0 are personal expenses without any verifications, and Q.12, 000.0 may be credited by the value added tax paid on personal expenses for purchases of goods or services during the annual final settlement. The reform also includes measures to reduce the incidence of taxes on low-income groups through a lower rate on earned income to 5%–7% instead of 15%–31%. Capital profits and interest income remain are levied at 10%.

Other important features of the new tax legislation include:

- Income categories: Tax on income is classified among three main income sources: a) Business income, b) Labor income, and c) Passive income and capital profits.

- New rules for residence and permanent establishments: While tax on income continues to be territorial, new rules are created that determines who is considered a resident for tax purpose. The new law introduces the "Permanent Establishment" concept, submitting permanent payments of taxes as local entities.

- Changes to general and optional regimes: The general regime rate will gradually decrease until it settles at 25% in 2015. The optional regime rate will gradually increase until it settles at 7% in 2015.

- Accelerated income tax payment:. Enterprises under general regime can determine net income on a quarterly basis and pay its corresponding rate or calculate a rate of 8% of gross income, either payable at each quarter.

- Introduction of transfer pricing rules. New transfer pricing rules, based on the OECD model have been introduced. Until now, tax authorities had a general right to question transactions between related parties without specific rules. Very few transactions among related parties where scrutinized. Under the new law, several pricing methods are introduced into legislation, including the uncontrolled pricing method, the plus cost method, the resale pricing method, the comparable profit method and the profit split method. Price adjustments create new taxable income, subject to general fines and penalties for unreported income tax.

- Dividends: Prior to the new tax on income law, capital profits were exempt from income tax as long as the source of the profit had paid tax on income itself. The new regulation taxes the profits at a 5% rate.

- Withholding on passive income. All individuals or entities that make payments considered as passive income will be required to withhold tax on income and transfer them to the Tax Administration Authorities within 10 days of the month after payment.

- Income to non-residents. Income generated in Guatemala by non-residents will be subject to withholding. This includes 5% on income from transport activities including airfares; 10% of interest on income; 15% salaries and other types of compensation including fees, royalties, consulting activities and 25% for other non-specified sources of income.

Tax Law on Circulation of Vehicles

Tax authorities will only provide license plates for commercial use, the transport of passengers or charge, school transport, agricultural, industrial, construction, services or distributor, vehicles owned by taxpayers who are registered with the tax authorities as contributors of value added tax and other taxes if applicable.

In the cases of owning vehicles previously taxed, the tax authorities must verify whether the new owner is registered as a taxpayer of value added tax and other taxes if applicable; otherwise, the tax authorities, according to their judgment, could apply a separate tax basis for such vehicles.

Taxpayers, who do not make the tax payment within the period prescribed, automatically will incur upon the offense of unpaid taxes from the day following the expiration of the payment and will be punish by a fine of one hundred percent (100%) of the unpaid tax plus interests.

According to the law, the value of the vehicle for purpose of the Circulation Tax is determined in taxable value tables, prepares annually by the Tax Administration and approved by the Board of the Tax Administration no later than November 30 of each year and shall apply to the year immediately following.

The amount of tax is the result of applying to the tax base established the relevant tax rate. In no case less than two hundred and twenty quetzals (Q220.00).

The Vehicle Registration Tax office is entitled to cancel the registration of any vehicle whose owner had not paid the tax for three (3) consecutive years.

First Registration of Vehicles Tax ("IPRIMA")

- The IPRIMA replace the import duties, in the case of land motor vehicles. The tax levied the first registration of land motor vehicles imported, assembled or produced in Guatemala in the Vehicle Registration that manages the Tax Authority.

- The IPRIMA eliminates the distortion in the valuation of imported used vehicles, as currently the tax is done in many cases according to fictional amounts and not based on actual market cost.

- In order to determine the tax based on the invoice, SAT should be able to verify the authenticity of the invoice, the payment for the amount billed, and check the title of the vehicle. If these verifications are not possible, tables containing market values should be used.

Value Added Tax

The new reforms also seek to simplify the VAT system including an elimination of multiple levels of the tax on subsequent transfers of real property that is replaced by a simplified stamp tax system. In addition, the reforms have broadened the regulation on how to use special invoices especially for exporters of livestock and artisanal products, and small taxpayers. The reforms also create a new fiscal solvency certificate, which needs to be obtained annually to maintain the status as an income tax exempt entity.

Customs Regulations

The National Customs Law aims to align the country with its peers in the region by improving the custom function and administration. At the time these reforms were enacted, Guatemala was the only country in the region without customs regulations. The new National Customs Law creates a National Counterpart to Central American Common Unified Tariff ("CAUCA") and its operational decree ("RECAUCA") agreements valid for Central America, and seeks to strengthen the Customs Intendancy of the SAT in order to combat smuggling and customs fraud.

Additional Tax Reforms

Stamp Tax

- The established price of special paper sheets for notarial protocol, specified with a fee for each sheet is Q10.0.

- In the case of payment of dividends in cash, in kind or by credit to banking accounts, vouchers are issued or payable through vouchers or other means, to document the distribution of profits, payment of tax must be made at the time of receipt of payment in cash, kind or credit, regardless of whether they issue documents or an accounting operation is performed. Whoever paid or credited into account dividends or profits, retain the value of the payment or crediting the tax imposed by Act and shall issue the respective record retention and pay the tax by affidavit, on a monthly basis, within the first 15 days of the month following the payment, by such means as determined by SAT.

Tobacco Tax

- In October 2010, the Guatemalan Constitutional Court declared the unconstitutionality of the second paragraph of Section 27 of the Tobacco Law, which contained the minimum tax base, which was equal to 46% of the suggested retail price of the products—minus the Value Added Tax.

- Congress has reestablished the minimum tax base of the Tobacco Tax. The rate is now 75%, or more, minus the Value Added Tax and the Tobacco Tax itself.

Combating tax evasion

The Tax Administration performs annual estimates to measure the level of non-compliance with the Value Added Tax fee, action that is carried out as a proxy of the level of tax evasion. In 2009, the failure to comply with the VAT was of 40.5%; in 2010 the percentage was reduced to 36.8%, and, in 2011 the default rate was estimated to be 33.3%. It is expected that in 2012 this indicator be less than 33%.

One of the most important activities for the Tax Administration is planning its actions in order to achieve greater tax compliance and improve the risk perception of the taxpayer. Among actions that have been implemented, the following are herein:

- Enhancement of fiscal presence in times of greater commercial activity.
- Strengthening the fiscal control area, by increasing the number of auditors and the development of specific training programs.
- Using Risk Analysis Techniques.
- Fiscal Control Implemention Program in the VAT´S list.
- Increased Operatives in Customs and Highway Roads.
- Improvement on Monitoring Declared Merchandise entered by Electronic Cargo.
- New Control Mechanisms for Companies Operating under Decree- 29-89.
- On-line Consultation of Customs Declaration of Highway Roads Operatives.

Furthermore, the Tax Administration is integrated with other State institutions in the struggle against smuggling and tax and customs fraud. The Ministry of the Interior, the Public Ministry and the Army of Guatemala are joined in said struggle.

On the other hand, the approval of Decree number 4-2012 of the Congress of the Republic, which are Resolutions for the Strengthening of Tax System and the Struggle against Fraud and Smuggling, whereas established as an important tool for the implementation of short, medium and long term regulations which are oriented to reform rules to avoid the non-compliance or evasion of taxes.

Advances

Implemented main measures and their effects on tax collection are listed below:

Control of Exempt Entities

In January 2010, SAT created the Exempt Entity Control Unit, in order to counteract the excessive use of benefits of tax exemptions. In 2010, that control included 749 taxpayers and it was accomplished to collect a total amount of Q 4.6 million in the many different programs whereby implemented.

Control of Withholding Agents

As of 2010, conducted actions were initiated to verify the correct compliance of tax obligations of taxpayers and those who are responsible of tax withholding. The strengthening of the processes of verification and control of withholding agents where the ones given a follow-up through the information that is recorded in the system of VAT and income tax and by the verification of 4,600 companies that withholds the ISR to their employees.

The result of this action led through the recovery of Q 24.95 million, obtaining a record and control of an authorized group of withholding agents of VAT higher than 1,000.

Control of Tax Credit Refund Claims

Since 2010 a new procedure was implemented which had guided control aimed at preventing tax fraud upon the creation of networks and ghost structures, thereby, using false invoices, committing fraud against the tax administration by claiming tax credit thereof not paid and which is not part of a productive activity.

This procedure requires the verification of the actual existence of providers of first, second and third line of applicants for VAT tax credit, to prevent fraud mechanisms aforementioned. As an immediate result of this procedure, during 2010, it was brought into action to deny requests for a total accumulative amount of Q373.6 whereas they were not justified, moreover, eight criminal complaints have been filed, which in the first instance led to the arrest of several contributors who engaged in this activity.

Additionally, in 2012, the use of a special invoice for purchasing supplies and agricultural products which final destiny is to export was approved.

Reduction of Vehicle Circulation Tax Arrears

During 2010, a reduction of Vehicle Circulation Tax Arrears was developed; it was meant to reduce the level of delays in the payment of this tax, specially, with vehicles that appear in default for over a year. Among actions carried out in the year 2010, notices were sent urging owners to catch up on tax payments. Therewith, Q 115.98 million of vehicles were recovered from a total of 237,567 vehicles from which Q 90.71 million correspond to tax payments, and Q 25.20 million correspond to penalties and untimely disqualification.

Updated data of active vehicles

In March 2011, a program was implemented to update vehicle registration cards to achieve updated information regarding active vehicles in the Fiscal Registry of Vehicles, to reduce arrears in the Circulation of Vehicles Tax payment and to provide vehicle owners with security measures to minimize the risk of counterfeiting.

During 2011, Q 157.5 million of payments in arrears were recovered from a total of 342,924 vehicles; the aforementioned represents an increase of 36% compared with the year 2010 which was Q 116.0 million, which reduced arrears of the ISCV from 17.4% registered in the year 2010 compared to 15.0% in the year 2011.

Improvement of the Effectiveness of the Judicial and Criminal Administration

By 2011, efforts to strengthen institutional proceedings, including notices sent to taxpayers who have a tax debt with the Tax Administration and the promotion of cases presented before the Judicial Branch, allowed the recovery of Q 242.7 million on December of the year 2011. This amount includes the recovery of Q 174.1 million in lawsuits and Q 68.6 million in criminal proceedings.

Execution of Governmental Agreement 46-2011

In 2011, the President of the Republic issued the Government Agreement 46-2011, in order to encourage payment of tardy taxpayers, partially exempting the debts that they had accrued thereby achieving to recover at a short term untimely taxes.

The application of such exemption was implemented in February through August of the same year, having collected Q 778.00 million of quetzals for said concept.

Mass Control Programs of the VAT and INCOME TAX

In 2010, there were developed massive control programs aimed at verifying the correct execution of the payment of value added tax and income tax. In the year 2011 these massive control programs were continued. The execution of these programs allowed the recovery of Q 161.4 million.

Also programs conducted to control the correct compliance of taxpayers who had greater fiscal interest were developed wherewith included the inspection of statements declared of payments equivalent to cero for VAT, ISR and ISO taxes; supervision towards the determination of the imposed income tax within optional regime of the ISR (Articles 39, Letter J of the ISR), carrying-forward of the VAT Tax Credit, cross-checking information of sales and services declared in the VAT compared with the ISR, review of reported deductions by employees in the forward-looking statements in 2010 and clearly in 2009, among others. The execution of these programs, allowed a recovery of Q 222.9 million in the year 2011.

Auditing new method of "Abbreviated Process"

During 2011, a group of professionals was formed in the Superintendence of Control, Collection and Management to attend tax payer´s notices pertaining detected inconsistencies in their tax obligations, having implemented 12 cross- checking of information. The result of this action originated the attention of 1,812 tax payers from which 652 were from administrative collection, creating a collection of Q 3.3 million and 645 auditorships under the method of abbreviated process with an imposed effect of Q 5.7 million.

Government's Fiscal Policy

Overview

In the last four years, a number of factors influenced the behavior of public finances: the sharp drop of tax revenue resulting from the global economic crisis, the lack of political consensus for implementing an intense tax reform; and expenses on reconstruction as a result of natural disasters related to the Tropical Storm Agatha and the eruption of Pacaya Volcano (2010), Tropical Depression 12E (2011), and the earthquake of November 7 (2012). Factors that affected the level of fiscal deficit, which in 2010 increased to 3.3% of GDP; nevertheless, ever since, it was reduced to 2.4% in 2012. On the same line, despite the unfavorable economic environment, the effects upon indicators of debt stability have been minimums since previous crises levels were low; therefore, the increase of the debt was modest.

Therefore, the fiscal policy of this administration has focused on the creation of appropriate conditions for carrying out the Government Plan 2012-2015, within a policy framework which helps to maintain macroeconomic and fiscal stability in the medium and long term. Therefore, the Government is planning by 2013 a fiscal deficit to 2.5% GDP.

Among the steps that have been taken to meet the Government Plan in the coming years, are the achievement of the necessary consensus with the private sector, civil society and the legislature to implement a law tax system update and as support for amending the legal framework which reduces tax evasion and smuggling, which will result in a significant improvement in tax collection. Improving tax revenues will meet the priority needs of Guatemalan society in the social (education, health and housing), internal security and justice, as well as production infrastructure and at the same time, achieve stability in the fiscal accounts and create flexibility to respond to emergencies arising from adverse international shocks or natural phenomena caused by climate change.

The fiscal policy that has been implemented aims to be favorable to the most vulnerable segments of the population, with a results-based management, that contributes to sustainable economic growth and maintains macroeconomic stability without losing its medium-term horizon, in order to preserve the sustainability and transparency of public finances.

Financial performance during 2012

Contrary to the macroeconomic performance in 2011, where the real growth of the economy and foreign trade was more powerful because of a more positive international environment in 2012 macroeconomic performance was rather moderate due to foreign trade slowing more than expected, with consequent negative effects on tax revenue. This has impacted the tax collection estimate for 2012 at 10.8% of GDP lower by 0.2% to the level reached in 2011 (11.0%).

Meanwhile public spending was driven by a contraction, mainly in the first seven months of the year, which was the result of several situations; one of them, perhaps the most important, was the spending on reconstruction related to the Tropical Storm Agatha and the Pacaya volcano eruption in 2011, which amount was around 0.8% of GDP, while that expenditure for the year 2012 it is estimated at 0.1% of GDP . Additionally it includes unforeseen expenses arising from the earthquake that affected the Republic on November 7, 2012. It also had a policy of containment of expenditure in the first two quarters of the year, this measure was a precautionary expenditures to avoid possible uncertainty underfunding before an adverse international environment. Subsequently spending began to grow moderately, to the point that in terms of GDP spending will be lower compared to 2011 at 0.4% of GDP. This was sufficient to reduce the fiscal deficit from 2.8% of GDP by 2011 to 2.4% of GDP by 2012.

Improvements in transparency and efficiency of public expenditure

In 2009, the contract module that allows the proper recording and control of infrastructure contracts and/or supervision of works was implemented, providing verification of physical and financial progress to ensure they have adequate budget allocation. In 2010, the process of linking the National Public Investment System ("SNIP"), Management Information System ("SIGES") and Integrated Accounting System ("SICOIN") took place, which facilitates the programming and financing of projects contained in the Geographic Listing of Infrastructure Projects, allowing the selection and evaluation of the best investment initiatives that will bring timely registration of their physical and financial execution.

Also in 2011, the mechanism for a Certificate of Budgetary Availability was created, which guarantees not to make commitments or enter into contracts that do not have pre-allocation of financial share. It consists of a certificate that the contracting entity extends to the supplier or contractor, guaranteeing the existence of budgetary and financial availability to meet the commitments made in a year.

An inter institutional agreement was signed between the Comptroller General of Accounts, the Public Ministry and the Ministry of Public Finance to strengthen institutionally the measurements made in previous years, aiming to ensure greater effectiveness, persuasive and punitive mechanisms and compliance with the rules governing economic acts with accounting and budgetary impact.

Another important step during 2012, was the gradual implementation of a Result Based Budget (by its initial in Spanish PPR). This method establishes that a public expense is formulated, executed, monitored and evaluated on the basis resulting by what the population requires and values for their development and products (represented by the State intervention), they are identified based on the best available evidence that provide such results. The PPR aims to improve the impact of government interventions according to the population needs.

This new step is focused on the State creating a change (noticeable and measureable) in conditions that limit the development of citizens and their involvement in the decision-making process with reliable information. This implies the identification, measurement and monitoring of performance indicators at an input, output and outcome level identified from specific causality strategies

Accordingly, the Result Based Budget strengthens transparency in the performance of public spending, since the institutions responsible for the accomplishment of anticipated results should inform citizens regarding the efficiency of its management and regarding the resources invested in the various actions carried out for the achievement of said results.

Fiscal targets in 2012-2014

The government's plan is to follow a strict adherence to the priorities embodied in the Change Agenda to achieve security and peace, reduce hunger, promote rural development and manage debt levels. Through the achievement of the goals set forth in the Fiscal Pact for Change, the Government plans by 2015 to increase tax revenues to 11.9% of GDP, lower government spending to 14% of GDP, ensure that social public spending is equal to or greater than 5% of GDP, reduce the fiscal deficit to 1.8% of GDP, reach a level of public debt no greater than 30% of GDP and remain a timely debt service.

Deficit Management

The Central Government finances its deficit mainly through:

- Internal financing. This involves the issuance of securities (mainly Treasury Bonds of the Republic of Guatemala), which must be previously approved by the legislative branch. Placement of Treasury Bonds is usually done with local public or private institutions.

  Autonomous and decentralized institutions, as well as non-financial public enterprises and local governments, are not legally allowed to issue securities.

- External funding. This consists mainly of borrowing through: a) external loans from international financial institutions, and b) placement of Government securities in foreign currency (Eurobonds).

In order to maintain an open access to the internal and external financial markets, as well as to fund the fiscal deficit, the Government is committed to preserve the sustainability of public debt. Additionally, the fiscal reform goes into effect in 2013 and tax revenues are expected to rise as a result.

Public Expenditure

The Government has historically maintained a constant level of expenditure. From 2000 through 2011, the executed total average budget is of 14.2% of GDP, whereas, according to preliminary data, total expenditures were 14.2% in 2012~~.~~

For 2013, due to expenditure commitments, tax provisions and other laws, from each Q1.00 that is collected about Q0.87 will have a specific destination or are intended to finance a spending obligation, such as debt service; creating budgetary rigidities.

The specific uses that are defined in the various laws work as an automatic adjustment of expenditures. As a result, as current revenues increase, spending commitments also increase (e. g. contribution of 10% by way of constitutional contribution to the country's municipalities, 5% to the University of San Carlos, 4% to the judiciary, 5% to the Constitutional Court).

A government priority is the social spending (education, health and housing). On that, spending on these sectors increased from an average of 30.3% of the total budget, to more than 35% for the year 2009, 37.4% in 2010 and 35.8% in 2011. The trend continued despite the negative impact of the fiscal crisis and despite the limited availability of current income.

Social spending for 2012, accumulates a total amount of Q20,185.9 million (35.0% of total current budget), and it's destination is divided as follows: 21.9% for education, science and culture, 12.5% for health, water and sanitation, 1.1% for sports, 1.0% for environmental protection and 0.6% for housing.

Public Investment

In the 2009-2011 periods, the public investment increase was 17.4%, nevertheless, adjustments were made in fixed capital formation, specifically in the construction of uncommon national assets (offices and State agencies), wages and salaries of human resources and machinery, equipment and other property, related to investment projects that were rescheduled.

The most significant short-cut in capital transfers, during this period, took place in transfers to individuals and households.

It is noteworthy to advice, that these adjustments were originated, since the levels of resources for public investment did not reach the expected levels within the budget designated in the concerning period, as a result of the international financial crisis.

According to the budget in force on November 30, 2012 and compared with the budget implemented in the year 2011, a reduction of public investment of 6.0% is expected, mainly encouraged by a decrease in the creation of national assets of common use.

Consolidated Public Sector

The following table sets forth information regarding consolidated public sector accounts for the years indicated.

Consolidated Public Sector Accounts
(As % of GDP)

	2006	2007	2008	2009	2010	2011(1)
Balance:						
Total non-financial public sector	(1.2)	(0.3)	(0.7)	(2.8)	(2.8)	(2.4)
Bank of Guatemala gains/losses	(0.2)	0.1	0.2	(0.1)	(0.2)	(0.3)
Consolidated public sector deficit	(1.4)	(0.2)	(0.5)	(2.9)	(3.0)	(2.7)
Financing:						
Central Government						
External						
Foreign loans (net)	1.2	1.2	0.3	1.3	1.5	0.8
Bonds	---	---	---	---	---	(0.7)
Total external	1.2	1.2	0.3	1.3	1.5	0.1
Internal						
Bonds	1.6	1.4	0.7	1.4	1.9	2.3
Other	(0.5)	(0.2)	(0.1)	---	---	---
Use of government deposits	(0.4)	(0.7)	0.8	0.4	(0.1)	0.5
Total internal	0.7	0.3	1.4	1.8	1.8	2.8
Overall balance Central Government	1.9	1.4	1.6	3.2	3.3	2.8
Rest of non-financial public sector balance	0.7	1.1	0.9	0.4	0.5	0.4
Bank of Guatemala losses	0.2	(0.1)	(0.2)	0.1	0.2	0.3
Combined public sector financing	1.4	0.2	0.5	2.9	3.0	2.7

(1) Preliminary data, from IMF estimates prepared on the basis of information provided by the Ministry of Public Finances and the Bank of Guatemala.
Source: IMF estimates prepared on the basis of information provided by the Ministry of Public Finances and the Bank of Guatemala.

In 1998, the *Sistema Integrado de Administración Financiera* (the Financial Administration Integrated System) or "SIAF," was created to develop a computer system which permits public access to information to improve transparency in governmental expenditures. This project was supported and funded by the World Bank and divided into several stages, with the ultimate goal of including consolidated public sector and local government information into the system.

SIAF gathers data related to Central Government's transactions through the *Sistema de Contabilidad Integrada*, the Integrated Accounting System, or "SICOIN," facilitating access to governmental information, such as execution of budgets, accounting statements and economic transactions.

In 2000, the Republic started with the integration of decentralized and autonomous entities to SICOIN; however their incorporation has been gradual. To this date, there is only *one* autonomous institution (*Universidad de San Carlos de Guatemala*) which does not use SICOIN as its official financial management system. Regarding local governments, SICOIN is currently integrating all 333 municipalities, although there are still different platforms in use. So far this situation has hampered the development of an automated consolidation process of all public sector entities, but it is expected to be corrected in the near future.

2013 Budget

The budget for the year 2013 estimates approximately Q66,985.4 million (US$8.373.2 million) in revenues, of which 75% are from taxes, and includes disbursements from external borrowings in an amount of Q7,318.4 million (US$914.8 million), of which Q3,550.0 million (US$443.8 million) come from loans for public sector projects in Guatemala concerning to public debt service and development of road infrastructure.

In addition, the budget contemplates the application of Q225.4 million (US$28.2 million) in funds, including Q35.1 million (US$4.4 million) for security services to citizens, Q30 million (US$3.8 million) of capital to be allocated to construction and improvement of the urban infrastructure and development.

The Government also plans to issue approximately Q5,416.5 million (US$677.1 million) in Treasury bonds, this process will be used to fund contributions to social security programs, debt repayments and capital projects of the Ministry of Communications, Infrastructure and Housing undertaken in prior periods, as well as amortization payments on the public debt and quasi-fiscal losses of the Bank of Guatemala. For information on quasi-fiscal losses, see "Public Sector Debt—Debt of the Bank of Guatemala."

The budget of 2013 estimates total expenditures in the amount of Q66,985.4 million (US$8,373.2 million), 64.4% of which will be designated to governmental functions, 22.2% to capital investments and 13.4% to debt service.

In 2013, the Government will continue encouraging economic development in accordance with the Changing Agenda. (See "Republic of Guatemala Government Program for Change-Change Program" and "Public Sector Finances-Fiscal Pact for Change").

The budget of 2013 was prepared by the Ministry of Public Finance based on assumptions set forth below:

Principal 2013 Budget Assumptions

	2013
Real GDP growth rate	3.5%
Inflation	4.0% +/- 1%
Exchange rate (Q per US$1.00)	8.00

Source: Bank of Guatemala and Ministry of Public Finance.

PUBLIC SECTOR DEBT

Management of the Public Debt

The Public Credit Office is the branch office of the Ministry of Public Finance, responsible for ensuring the efficient programming, application and control of financing obtained through public credit operations. With the approval of the Government Agreement No. 456-2011, the Public Credit Office is formed by: Public Debt Settlement Branch (Front Office), Public Debt Strategy Definition Branch (Middle Office) and Public Dept Registration and Monitoring Branch (Back Office), which is responsible for the management of government financing, the analysis of public debt and the recording and monitoring of public credit operations, respectively.

On July 26, 2012, authorities approved the Ministerial Agreement 167-2012 named Public Credit Policy, which expresses the following:

- The purpose of public debt management: meeting financial needs at a cost consistent with a prudent level of risk, to contribute to public debt sustainability.
- Achievement of public debt management, including public credit transactions that have sovereign guarantees and were duly approved by the Congress of the Republic of Guatemala, in accordance with subparagraph letter (i) of Article 171 of the Constitution.
- The guidelines refer to guaranteeing the timely payment of debt, maintain an adequate structure of the portfolio, identifying financing sources, which characteristics provide to minimize costs and maintain acceptable risk levels, promoting the development of the local debt market; soften maturity profile structure, through liability management operations, expanding the investor base, and promote transparency in the management of public debt.

Public Debt Portfolio

Public sector debt in Guatemala is approximately US$12,270.1 million at December 31, 2012. The Bank of Guatemala currently has no external debt outstanding. All amounts in this section are for public sector debt of Guatemala. The Bank of Guatemala and the Republic manage their debt separately and independently and follow distinct policies in this regard.

For December 31, 2012:

- the Republic's public sector debt was 48.6% domestic and 51.4% external;
- 58.0% of the Republic's public sector debt was in foreign currency and 42.0% was in local currency;
- 68.3% of the Republic's public sector debt was fixed rate and 31.7% was floating rate;
- the Republic's public sector external debt was 62.1% of total exports (FOB);
- the Republic's public sector external debt service was 5.4% of total exports;
- the Republic's public sector external and internal debt was 24.7% of GDP; and
- the Republic's public sector external debt consisted of:

    1. US$4,662.0 million in debt to multilateral agencies;
    2. US$312.9 million in debt to foreign governments and bilateral organizations;
    3. US$300.0 million aggregate principal amount of 9¼% Notes due 2013;
    4. US$330.0 million aggregate principal amount of 8⅛% Notes due 2034; and
    5. US$700.0 million aggregate principal amount of 5¾% Notes due 2022.

The largest single creditor to the Guatemalan public sector is the Inter-American Development Bank, for December 31, 2012, which held approximately US$2,217.1 million in debt of the public sector.

The Republic has in place certain procedures to manage public sector debt, including requiring favorable opinions of the Monetary Board, the Secretary of Planning and Programming and the Ministry of Public Finance, followed by a congressional decree authorizing such indebtedness. Under the law, the Government is not liable for the debts of autonomous public sector entities, including the Bank of Guatemala, without an express guarantee undertaken by the Government and authorized by Congress. The constitutive laws of certain public sector entities, including the bank "Credito Hipotecario Nacional", expressly provide that their liabilities are guaranteed by the Government.

Public Sector External Debt

The Republic's total multilateral debt for December 31, 2012, was 73.9% of total public sector external debt and debt to foreign governments and bilateral organizations represents 5.0% of total public sector external debt. The only public sector external debt of the Republic to private creditors outstanding at December 31, 2012 was the Republic's, the US$300.0 million 9¼% Notes due 2013, the US$700.0 million 5¾% Notes due 2022 and the US$330 million 8⅛% Notes due 2034, representing 21.1% of total public sector external debt as of that date.

In recent years, the Guatemalan public sector has reduced its bilateral and commercial bank debt, while at the same time increasing multilateral and Eurobonds debt.

A significant portion of the multilateral and bilateral debt of the public sector is on favorable terms that provide, among other things, long repayment terms, significant grace periods and below-market interest rates.

The following table sets forth the external public sector debt of the Republic, as of the dates indicated.

Public Sector External Debt by Creditor
(In millions of US$, except %)(1)

	2006	2007	2008	2009	2010	2011	2012(2)
Official Creditors:							
Multilateral organizations:							
Inter-American Development Bank	1,304.0	1,467.3	1,519.8	1,779.2	2,078.4	2,177.0	2,217.1
World Bank	648.6	746.1	811.1	1,113.6	1,374.8	1,390.9	1,394.8
CABEI	482.6	656.9	703.6	699.5	767.5	1,029.5	1,021.0
International Fund for Agricultural Development	17.1	21.1	20.8	19.6	19.8	17.1	14.2
Organization of Petroleum Exporting Countries	17.2	15.9	13.6	14.0	12.9	14.9	14.9
Total multilateral organizations	2,469.5	2,907.4	3,068.9	3,625.9	4,253.4	4,629.4	4,662.0
Bilateral lending institutions:							
United States (US-AID, C.C.C.)	91.6	73.9	57.5	43.0	29.7	20.4	14.7
Kreditanstalt für Wiederaufbau—Germany	79.4	89.6	81.8	82.1	73.7	71.3	73.7
Mediocredito Centrale—Italy	8.7	7.0	5.3	3.6	2.0	0.9	0.2
Canadian International Development Agency	1.8	2.0	1.5	1.7	1.6	1.5	1.4
Union Bank of Switzerland	0.4	0.2	2.1	2.5	4.4	4.7	4.8
Japanese International Cooperation Agency	131.7	134.0	161.0	172.5	208.3	220.6	199.6
Paris Club	10.8	---	---	---	---	---	---
Eximbank—Republic of China (Taiwan)	52.7	45.8	38.9	31.9	25.0	18.1	11.1
International Cooperation and Development Fund—Republic of China (Taiwan)	6.6	11.1	10.4	9.5	8.9	8.0	7.4
Total bilateral entities	383.7	363.6	358.5	346.8	353.6	345.5	312.9
Private Creditors:							
8 ½% Notes due 2007	150.0	---	---	---	---	---	---
10 ¼% Notes due 2011	325.0	325.0	325.0	325.0	325.0	---	---
9 ¼% Notes due 2013	300.0	300.0	300.0	300.0	300.0	300.0	300.0
5 ¾% Notes due 2022	---	---	---	---	---	---	700.0
8 ¼% Notes due 2034	330.0	330.0	330.0	330.0	330.0	330.0	330.0
Total private creditors	1,105.0	955.0	955.0	955.0	955.0	630.0	1,330.0
Total	3,958.2	4,225.9	4,382.4	4,927.6	5,562.0	5,604.9	6,304.9
External debt (as % of GDP)	13.1%	12.4%	11.2%	13.1%	13.5%(3)	11.9%(3)	12.6%(3)
External debt interest service (as % of GDP)	0.7%	0.8%	0.6%	0.7%	0.7%(3)	0.6%(3)	0.5%(3)

(1) Non-U.S. dollar amounts are translated to US$ at the official exchange rate for the year-end date.
(2) Estimates based on preliminary data by December 31 of 2012.
(3) Preliminary data, GDP provided by the Bank of Guatemala.
Source: Ministry of Public Finance.

The following table sets forth public sector external debt by currency estimated for December 31, 2012.

Summary of Public Sector External Debt by Currency
(In millions of US$, except %)

Currency	Amount [2]	% of total external debt
U.S. dollar	6,001.5	95.19
Japanese yen	199.6	3.17
Euros	83.5	1.32
Special drawing right[1]	14.2	0.23
Canadian dollar	1.4	0.02
Swiss franc	4.8	0.08
Total	6,304.9	100.00

(1)Unit of account of IMF.
(2) Estimates based on preliminary data by December 31 of 2012.
Source: Ministry of Public Finance.

The following table sets forth information regarding the Republic's public sector external debt service as of the dates indicated.

Public Sector External Debt Service
(In millions of US$)

	December 31,						
	2006	2007	2008	2009	2010	2011	2012[1]
Interest payments	220.8	269.7	243.3	244.9	270.4	272.5	269.9
Amortization[2]	206.9	204.9	253.1	264.0	254.6	270.6	275.1
Total public sector external debt service	427.7	474.6	496.4	508.9	525.0	543.1	545.0
Total public sector external debt service:							
as a % of total exports (FOB)	7.0	6.8	6.3	7.0	6.2	5.2	5.4
as a % of GDP	1.4	1.4	1.3	1.3	1.3	1.2	1.1
as a % of total tax revenue	11.9	11.6	11.3	13.1	12.2	10.5	9.9

(1) Estimates based on preliminary data by December 31 of 2012.
(2) Excludes amounts refinanced.
Source: Ministry of Public Finance.

The following table sets forth information regarding the external public debt of Guatemala by interest rate and by type as of the years indicated.

Public Sector External Debt by Interest Rate Type
(In millions of US$ and as % of total)

	December 31,													
	2006		2007		2008		2009		2010		2011		2012[1]	
	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%	US$	%
Fixed Rate	1,848.6	46.7	1,724.6	40.8	1,926.4	44.0	1,836.2	37.3	1,800.0	32.4	1,422.8	25.4	2,418.2	38.4
Floating Rate	2,109.6	53.3	2,501.3	59.2	2,456.0	56.0	3,091.5	62.7	3,762.0	67.6	4,182.1	74.6	3,886.7	61.6
Total	3,958.2	100.0	4,225.9	100.0	4,382.4	100.0	4,927.7	100.0	5,562.0	100.0	5,604.9	100.0	6,304.9	100.0

(1) Estimates based on preliminary data by December 31 of 2012.
Source: Ministry of Public Finance.

The following table sets forth the Government's current projections regarding debt service on existing public sector external debt for the years 2013 through 2023:

Debt Service on Existing Public Sector External Debt [(1)]
(In millions of US$)[(2)]

	2013		2014		2015		2016		2017		2018	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Government	572.5	290.1	291.7	252.0	321.0	238.9	319.9	225.5	334.0	211.5	337.4	198.0
Rest of public sector	10.9	3.6	10.6	3.3	10.6	2.9	9.7	2.6	8.8	2.3	8.2	2.0
Total	583.4	293.7	302.3	255.3	331.6	241.8	329.6	228.1	342.8	213.8	345.6	200.0

	2019		2020		2021		2022		2023	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Government	305.4	184.4	303.5	171.4	284.1	158.2	968.8	126.3	237.0	95.1
Rest of public sector	7.7	1.7	7.7	1.5	7.7	1.2	6.4	0.9	5.2	0.7
Total	313.1	186.1	311.2	172.9	291.8	159.4	975.2	127.2	242.2	95.8

(1) The amounts in this table are for existing public sector debt only as of December 31, 2012.
(2) Non-US dollar amounts have been translated to US$ at the official exchange rate as of December 31, 2012.
Source: Ministry of Public Finance.

The Republic will incur additional indebtedness in the future, which may increase its external debt service payments.

Public Sector Internal Debt

The Republic's public sector internal debt, not including internal debt of the Bank of Guatemala, was Q47,138.8 million, or US$5,965.2 million as of December 31, 2012. A portion of such debt is owed to public sector entities.

The Republic's public sector internal debt consists primarily of Government bonds which are held by internal and external private sector creditors as well as by other public sector entities, mainly the Guatemalan Institute of Social Security, which as of November 30, 2012, held Q10,325.6 million or US$1,306.6 million in bonds outstanding. The entirety of the Republic's public sector internal debt is at fixed rates.

The following table, which does not include the Bank of Guatemala's debt, sets forth outstanding public sector internal debt as of the dates indicated.

Public Sector Internal Debt[(1)]
(In millions of US$)[(2)]

	2006	%	2007	%	2008	%	2009	%	2010	%	2011	%	2012[(3)]	%
In local currency	2,103.7	79.5%	2,681.0	84.7%	3,024.3	89.9%	3,389.6	92.1%	4,167.7	90.7%	5,109.2	88.6%	5,150.6	86.3%
In US$ dollars	543.9	20.5%	483.4	15.3%	339.2	10.1%	289.5	7.9%	425.0	9.3%	657.4	11.4%	814.6	13.7%
Total	2,647.6	100.0%	3,164.5	100.0%	3,363.5	100.0%	3,679.1	100.0%	4,592.7	100.0%	5,766.6	100.0%	5,965.2	100.0%
Total public sector domestic debt as % of GDP		8.8%		9.2%		8.9%		10.0%		11.1%		12.3%		12.0%
Total public sector domestic as % of public debt		40.1%		42.8%		43.4%		42.8%		45.2%		50.7%		48.6%

(1) Includes certain bonds of the Government held by entities of the public sector like the Guatemalan Institute of Social Security.
(2) Translated from Q to US$ at the official exchange rate at the period-end date.
(3) Estimates based on data by December 31, 2012
Source: Ministry of Public Finance.

The following table sets forth information regarding the Republic's public sector internal debt service as of the dates indicated.

Public Sector Internal Debt Service
(In millions of US$)[(1)]

	December 31,						
	2006	2007	2008	2009	2010	2011	2012[(2)]
Interest payments	197.8	237.4	289.3	290.9	342.8	431.0	502.8
Amortization[(3)]	152.5	77.4	52.0	---	---	---	42.9
Total public sector internal debt service	350.3	314.8	341.3	290.9	342.8	431.0	545.7
Total public sector internal debt service:							
as a % of GDP[(4)]	1.2	0.9	0.9	0.8	0.8	0.9	1.1
as a % of total tax revenue[(4)]	9.8	7.7	7.7	7.5	7.9	8.33	10.0

(1) Translated from Q to US$ at the average daily exchange rate for each year.
(2) Estimates based on data by December 31 of 2012
(3) Excludes amounts refinanced.
(4) Percentage based on GDP and debt estimate due as of the end of year.
Source: Ministry of Public Finance.

The following table shows the projection of the Republic's internal debt service for the years 2013 through 2022.

Debt Service on Existing Public Sector Internal Debt [(1)]
(In millions of US$)[(2)]

	2013		2014		2015		2016		2017	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
In US$	48.0	44.3	107.4	41.8	0.0	37.9	0.0	37.8	39.5	37.8
In Q	0.3	446.1	265.1	440.9	531.1	405.5	706.7	355.6	229.0	305.8
Total	48.3	490.4	372.5	482.7	531.1	443.4	706.7	393.4	268.5	343.6

	2018		2019		2020		2021		2022	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
In US$	17.1	35.4	0.0	34.7	171.5	34.8	40.2	25.5	0.0	24.2
In Q	350.2	290.7	536.2	244.1	546.3	199.5	237.3	161.2	39.0	140.1
Total	367.3	326.1	536.2	278.8	717.8	234.3	277.5	186.7	39.0	164.3

(1) The amounts in this table are for existing public sector internal debt only as of December 31, 2012.
(2) The amounts in Q have been converted to US$ at the official average daily exchange rate for the year 2012.
Source: Ministry of Public Finance.

Debt Record

The Republic has from time to time restructured and rescheduled certain bilateral and multilateral loans, some of which were in arrears. The Republic is not currently in arrears on any of its loans. The Government incurred limited amounts of commercial bank debt in the 1980s, and had no need to restructure any such debt.

The Government incurred limited amounts of commercial debt in the 1990s, and as a result did not need to restructure that debt through the issuance of Brady Bonds. Short-term foreign currency shortages were managed through the issuance of Bank of Guatemala Stabilization Bonds.

In the early 1990s, the Government fell into arrears on certain loans from foreign sovereign lenders. On March 25, 1993, the Government reached an agreement through the Paris Club to consolidate and reschedule or refinance its public sector external debt with each bilateral and multilateral agency with whom the Republic was in arrears. The Republic began repaying debt under the terms of the Paris Club agreement in 2001 and completed repayment in 2006.

The *Ley Orgánica del Presupuesto* (Organic Budget Law), pursuant to Decree No. 101-97 of Congress, mandates that the Republic shall establish an account with the Bank of Guatemala to guarantee debt service. In addition, pursuant to Decree No. 33-2011, which authorizes the issuance of these Notes, the Republic is required to maintain an account with the Bank of Guatemala known as the "*Fondo de Amortizacion*" (Amortization Fund). Decree No. 33-2011 permits the Bank of Guatemala to transfer funds from the Republic's "Fondo Común" (Common Fund) to the Amortization Fund in amounts necessary to make payments for interest on, principal of and commissions and other expenses related to debt service on these

Notes. Similar laws provide for such payments to be made into the Amortization Fund for payments due on other debt issuances. However, Decrees Nos. 101-97 and 33-2011 and any similar laws may be altered by an act of Congress.

The Republic has not defaulted on any external debt owed to any private sector creditors, including foreign commercial banks and other external debt holders.

In August 1997 and November 2001, the Republic issued US$150.0 million of its $8\frac{1}{2}$% Notes due 2007 and US$325.0 million of its $10\frac{1}{4}$% Notes due in November 2011, respectively, which were timely repaid. In August 2003, the Republic issued US$300.0 million of its $9\frac{1}{4}$% Notes due 2013, in October 6, 2004, it issued US$330.0 million of its $8\frac{1}{8}$% Notes due 2034, and on May 29, 2012, it issued US$700.0 million of its $5\frac{3}{4}$% Notes due 2022, in the international capital markets. The Republic has been and continues to be in compliance with all payments and other obligations in respect of these issues of Notes. The Notes described in this offering circular will constitute public sector external debt.

Debt of the Bank of Guatemala

The Bank of Guatemala and the Republic manage their debt separately and independently and follow distinct policies in this regard.

In the past, the Bank of Guatemala incurred certain losses in the course of implementing its monetary, exchange rate and credit policies. Pursuant to Article 9 of the Bank of Guatemala's Organic Law (Decree 16-2002), the Bank of Guatemala recorded these losses in an account entitled quasi-fiscal losses. The Superintendence of Banks conducted an audit and determined that at the end of 2001, quasi-fiscal losses totaled Q16,834.2 million (approximately US$2,144.0 million). In accordance with Article 83 of the Bank of Guatemala's Organic Law and upon prior authorization of the Guatemalan Congress, that liability will be transferred to the Ministry of Public Finance in exchange for a Q16,834.2 million 100 year non-interest bearing note issued by the Ministry of Public Finance. The bill for the authorization and issuance of securities was not authorized by Congress, despite requests made by the executive branch. In 2002, the quasi-fiscal losses reached Q905.3 million (approximately US$116.4 million). In accordance with Guatemalan law, in 2004, the executive branch requested approval from Congress for the issuance of bonds that would allow the quasi-fiscal losses to be restored to the Bank of Guatemala, however, these bonds were not approved. Since 2003, the quasi-fiscal losses have been restored to the Bank of Guatemala annually, for a total of Q3,110 million (approximately US$398.1 million). In 2012, we have budgeted for the restoration of the 2010 quasi-fiscal losses in the amount of Q336.1 million (approximately US$43.0 million).

In 2005, Bank of Guatemala reduced the external debt stock in US$2.0 million, of which US$1.5 million corresponds to the regularization of the financial accounts balances of the Stabilization Bonds of 1983, 1984 and 1988. In 2006, Bank of Guatemala repaid its outstanding external debt balance of US$0.3 million.

DESCRIPTION OF THE NOTES

The 4.875% notes due on February 13, 2028 (the "*Notes*") will be issued under a fiscal agency agreement, to be dated as of February 13, 2013 (the "*Fiscal Agency Agreement*"), among the Republic, The Bank of New York Mellon, as fiscal agent, principal paying agent, registrar and transfer agent (the "Fiscal Agent," the "Paying Agent," the "Registrar," and the "Transfer Agent," and collectively with the Luxembourg Agents (as defined below), the "Agent," which terms will include their respective successors and permitted assigns).

You can find the definition of capitalized terms in this section under "—Certain Definitions."

This section of this offering circular is intended to be an overview of the material provisions of the Notes and the Fiscal Agency Agreement. Because this section is only a summary, it does not contain all the information that may be important to you as a potential investor in the Notes. Therefore, you should refer to the Fiscal Agency Agreement for a complete description of the Republic's obligations and your rights as a holder of the Notes. The holders of the Notes will be entitled to the benefits of, be bound by, and be deemed to have notice of, all the provisions of the Fiscal Agency Agreement. Copies of the Fiscal Agency Agreement will be on file and may be inspected at the principal office of the Fiscal Agent in The City of New York and at the offices of the Paying Agents specified on the back cover page of this offering circular.

General Terms of the Notes

The Notes will:

- be issued on or about February 13, 2013 limited to an aggregate principal amount of US$700,000,000 (except as provided under "— Further Issuances" and "—Replacement, Exchange and Transfer");
- mature, and will be repaid at par (unless previously repaid), on February 13, 2028;
- be issued in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof;
- bear interest at a rate of 4.875% per year, from and including February 13, 2013, to, but excluding, February 13, 2028. Interest on the Notes will be payable semi-annually in arrears on February 13 and August 13 of each year, commencing on August 13, 2013. Interest on the Notes will be computed on the basis of a 360-day year consisting of 12 months of 30 days each and, in case of an incomplete month, the number of days elapsed;
- pay interest to persons in whose names the Notes are registered at the close of business on January 30 and July 30, as the case may be, preceding each payment date.
- constitute direct, general, unconditional, unsecured and unsubordinated Indebtedness of the Republic backed by the full faith and credit of the Republic;
- be equal in right of payment with all of the Republic's present and future unsecured and unsubordinated Public External Indebtedness;
- be represented by one or more global securities in book-entry, registered form only;
- not be redeemable before maturity; and
- contain "collective action clauses" under which the Republic may amend certain key terms of the Notes, including the maturity date, interest rate and other terms, with the consent of less than all of the holders of the Notes.

Form, Denomination and Title

The Notes will be issued in U.S. dollars, in fully registered form, without coupons, in denominations of US$200,000 or any amount in excess thereof which is an integral multiple of US$1,000. The Notes, and transfer thereof, will be registered as provided under "—Replacement, Exchange and Transfer" and in the Fiscal Agency Agreement**.**

The Notes will be represented by one or more registered Notes in global form as follows, but in limited circumstances may be represented by Notes in physical certificated form (See "Book-Entry Settlement and Clearance"):

- Notes sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act will be represented by a global Note (which we refer to in this offering circular as the "Rule 144A Global Note"); and

- Notes sold in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act will be represented by a global Note (which we refer to in this offering circular as the "Regulation S Global Note" and together with the Rule 144A Global Note, the "Global Notes").

A person in whose name a Note is registered will, to the fullest extent permitted by law, be treated at all times, by all persons and for all purposes as the absolute owner of such Note regardless of any notice of ownership, theft or loss or of any writing thereon.

Payments and Agents

The principal of the Notes will be payable in U.S. dollars against surrender of such Notes at the office of the Paying Agent in The City of New York or, subject to applicable laws and regulations, at the office of any Paying Agent by U.S. dollar check drawn on, or upon application of any holder of at least US$1,000,000 principal amount of Notes by transfer to a U.S. dollar account maintained by the holder with, a bank located in The City of New York.

Payment of any installment of interest on a Note will be made only to the person in whose name such Note is registered at the close of business on the Regular Record Date (as defined below) immediately preceding the related "Scheduled Payment Date" (as defined on the face of the Notes). As used herein, "Regular Record Date" means, with respect to any Scheduled Payment Date, the 15th day prior to such Scheduled Payment Date (whether or not a business day). Payment of such interest will be made by a U.S. dollar check drawn on a bank in The City of New York mailed to the holder at such holder's registered address or upon application of any holder of at least US$1,000,000 principal amount of Notes to the Paying Agent in The City of New York not later than the relevant regular record date, by transfer of immediately available funds to a U.S. dollar account maintained by such holder with a bank in The City of New York.

All moneys paid by or on behalf of the Republic to the Paying Agent or any other Paying Agent for the payments of the principal of or interest on any Note which remain unclaimed at the end of two years after such principal or interest will have become due and payable will be repaid to the Republic, and the holder of such Note will thereafter look only to the Republic for payment. Upon such repayment, all liability of the Paying Agent and any other Paying Agent with respect to the Note will cease, without, however, limiting in any way the obligation of the Republic in respect of the amount so repaid, subject to the provisions set forth under "—Prescription."

The Republic has agreed that, so long as any Note remains Outstanding it will maintain, a paying agent in Luxembourg for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other directive on the taxation of savings income implementing the conclusions of the ECOFIN meeting of 26 and 27 November 2000 or any law implementing or complying with or introduced in order to conform to such directive, a registrar having a specified office in The City of New York, a paying agent having a specified office in The City of New York and a transfer agent in Luxembourg (so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require) (such Luxembourg transfer agent together with the Luxembourg paying agent, the "Luxembourg Agents"). The Republic has initially appointed the paying agents and transfer agents for the Notes specified on the inside back cover page of this offering circular. Subject to the foregoing, the Republic will have the right at any time to terminate any such appointment and to appoint any other agents in such other places as it may deem appropriate upon notice in accordance with "—Notices" and in accordance with the Fiscal Agency Agreement.

Payments in respect of the Notes will be made in such coin or currency of the United States of America that is legal tender for the payment of public and private debts at the time of payment.

In any case when a Payment Date is not a business day at any place of payment, then the relevant payment need not be made on such date at such place, but may be made on the next succeeding day at such place which is a business day in the applicable jurisdiction, with the same force and effect as if made on the date for such payment, and no additional interest in respect of such Payment Date will accrue for the period from and after such Payment Date.

In acting under the Fiscal Agency Agreement and in connection with the Notes, each of the Agents and each other Paying Agent and Transfer Agent is acting solely as Agent of the Republic and does not assume any obligation toward or relationship of agency or trust for or with the owner or holder of any Note except that any funds held by any such Agent for payment of principal of or interest (or any Additional Amounts) on the Notes will be held in trust by it and applied as set forth in the Notes and Fiscal Agency Agreement, and will be segregated from other funds held by it. For a description of the duties and the immunities and rights of each of the Agents under the Fiscal Agency Agreement, reference is made to the Fiscal Agency Agreement, and the obligations of each of the Agents to the owners or holders of Notes are subject to such immunities and rights.

The Fiscal Agency Agreement contains provisions relating to the rights, obligations and duties of the Fiscal Agent, indemnification of the Fiscal Agent, release of the Fiscal Agent from responsibility for certain actions taken by it, and the replacement, in certain circumstances, of the Fiscal Agent by another qualified financial institution.

Additional Amounts

All payments by the Republic in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, duties, fines, penalties, assessments, or other governmental charges of whatever nature (or interest on any future taxes, duties, fines, penalties, assessments, or other governmental charges of whatever nature) imposed or levied by the Republic or any political subdivision or authority of the Republic having power to tax or any other jurisdiction through which payments on the Notes are made (each a "*Relevant Jurisdiction*") ("*Taxes*"), unless it is compelled by law to deduct or withhold such Taxes. In such event, the Republic will pay such additional amounts ("*Additional Amounts*") as may be necessary to ensure that the net amounts receivable by the holders of the Notes after the withholding or deduction will equal the payment which would have been receivable in respect of the Notes in the absence of such withholding or deduction; make such withholding; and make payment of the amount so withheld to the appropriate governmental authority. No such Additional Amounts will, however, be payable in respect of:

- any Note held by or on behalf of a holder who is liable for Taxes with respect to the Notes by reason of such holder having some connection with the Relevant Jurisdiction otherwise than merely by the holding of such Note or by the receipt of principal or interest in respect of the Note;
- any Note held by or on behalf of a holder who is liable for Taxes with respect to the Notes by reason of such holder's failure to comply with any reasonable certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Relevant Jurisdiction or any political subdivision or taxing authority of such jurisdiction of such holder or the holder of any interest in such Note or rights in respect of the Note, if compliance is required by the Relevant Jurisdiction, or any political subdivision or taxing authority of such jurisdiction, as a precondition to exemption from such deduction or withholding; *provided*, *however*, that the limitations on the Republic's obligations to pay Additional Amounts set forth in this clause will not apply if such certification, identification, or other reporting requirement would be materially more onerous, in form, in procedure, or in substance of information disclosed by the relevant holders or beneficial owners than comparable information or other reporting requirements imposed under U.S. federal tax law, regulation and administrative practice (such as U.S. Internal Revenue Service Forms W-8BEN, W-8ECI or W-9); or
- any Note held by or on behalf of a holder who is liable for Taxes with respect to the Notes by reason of the failure of such holder to present such holder's Note for payment (where such presentation is required) within 30 calendar days after the date on which such payment of the Note became due and payable or is duly provided for and notice of the date on which payment is due is given to the holder, whichever occurs later.

Whenever the payment of the principal of, or interest on, or any amounts in respect of, a Note, are mentioned in any context, such mention will be deemed to include the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect of a Note, and express mention of the payment of Additional Amounts, if applicable, will not be construed as excluding Additional Amounts where such express mention is not made.

Further Issuances

The Republic may from time to time, without the consent of the holders of the Notes, create and issue further Notes having the same terms and conditions as the Notes in all respects, except for the issue date, the issue price and first payment of interest thereon. Additional Notes issued in this manner will be consolidated with and will form a single issue with the Notes; *provided* that, if any additional Notes subsequently issued are not fungible for U.S. federal income tax purposes with any Notes previously issued, such additional Notes shall trade separately from such previously issued Notes under a separate CUSIP number but shall otherwise be treated as a single class with all other previously issued Notes.

Replacement, Exchange and Transfer

If any Note will become mutilated or defaced or be destroyed, lost or stolen, the Fiscal Agent will authenticate and deliver a new Note on such terms as the Republic and the Fiscal Agent may require, in exchange and substitution for the mutilated or defaced Note or in lieu of and in substitution for the destroyed, lost or stolen Note. In every case of mutilation, defacement, destruction, loss or theft, the applicant for a substitute Note must furnish the Republic and the Fiscal Agent such indemnity as the Republic and the Fiscal Agent may require and evidence to their satisfaction of the destruction, loss or theft of such Note and of the ownership of the Note. In every case of mutilation or defacement of a Note, the holder will surrender to the Fiscal Agent the mutilated or defaced Note. In addition, prior to the issuance of any substitute Note, the Republic may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation to such issuance and any other related expenses, including the fees and expenses of the Fiscal Agent. If any Note which has matured or is about to mature will become mutilated or defaced or be apparently destroyed, lost or stolen, the Republic may pay or authorize payment of such Note without issuing a substitute Note.

Upon the terms and subject to the conditions set forth in the Fiscal Agency Agreement, a Note or Notes may be exchanged for a Note or Notes of equal aggregate principal amount in such same or different authorized denominations as may be requested by the holder, by surrender of such Note or Notes at the office of the Registrar, or at the office of any Transfer Agent, together with a written request for the exchange.

Upon the terms and subject to the conditions set forth in the Fiscal Agency Agreement and subject to the restrictions on transfer described under "Transfer Restrictions," a Note may be transferred in whole or in part in an authorized denomination by the holder or holders surrendering the Note for registration of transfer at the office of the Registrar or at the office of any Transfer Agent, duly endorsed by, or accompanied by a written instrument of transfer in lieu of endorsement in form satisfactory to the Republic and the Registrar or any such Transfer Agent, as the case may be, duly executed by, the holder or holders of such Note or its attorney-in-fact or attorneys-in-fact duly authorized in writing.

The costs and expenses of effecting any exchange or registration of transfer pursuant to the foregoing provisions will be borne by the Republic, except for the expenses of delivery other than by regular mail, if any, and except for, if the Republic requires it, the payment of a sum sufficient to cover any tax or other governmental charge or insurance charges that may be imposed in relation to such exchange or registration of transfer.

Notwithstanding the foregoing, the Registrar, the Transfer Agent or the Fiscal Agent, as the case may be, will not be required to register the transfer or exchange of Notes for a period of 15 days preceding the due date for any payment of principal of or interest on the Notes.

Covenants

So long as any Note remains Outstanding, the Republic has agreed to certain covenants, including:

(1) Negative Pledge: So long as any Note is Outstanding, the Republic will not create or allow any Lien to exist on the whole or any part of its present or future revenues, properties or assets to secure any Public External Indebtedness unless, at the same time or prior to the creation of the Lien, the Republic's obligations under the Notes are secured equally and ratably with such Public External Indebtedness. The Republic may, however, create or allow the following permitted Liens (each, a "Permitted Lien"):

- any Lien upon property to secure Public External Indebtedness incurred for the purpose of financing the acquisition of such property by the Republic and any renewal or extension of any such Lien which is limited to the original property covered by the Lien and which secures only the renewal or extension of the original secured financing;
- any Lien existing in respect of an asset at the time of its acquisition by the Republic and any renewal or extension of any such Lien which is limited to the original asset covered by the Lien and which secures only the renewal or extension of the original secured obligation;
- any Lien in existence on the date of the Fiscal Agency Agreement, including any renewal or extension of such Lien which secures only the renewal or extension of the original secured financing;
- any Lien securing Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project and any renewal or extension of any such Lien, provided that:
    - the holders of such Public External Indebtedness expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External

Indebtedness; and

  - o the property over which such Lien is granted consists solely of such assets and revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such assets; and

- Liens in addition to those permitted by other Permitted Liens above, and any renewal or extension of such Liens, provided that the aggregate amount of Public External Indebtedness secured by all such additional Liens does not exceed US$45,000,000 (or its equivalent in other currencies) at any time.

(2) Authorizations: The Republic will:

- obtain and maintain in full force and effect all approvals, authorizations, permits, consents, exemptions and licenses and will take all other actions (including, without limitation, any notice to, or filing or registration with, any agency, department, ministry, authority, statutory corporation or other body or juridical entity of the Republic or regulatory or administrative body of the Republic) which may be necessary for the issuance, continued validity and enforceability of the Notes; and
- take all necessary and appropriate governmental and administrative action (including, without limitation, making all necessary budget appropriations) in order for the Republic to be able to make all payments required under the Notes.

(3) Membership in International Monetary Fund: The Republic will maintain its membership in, and eligibility to use the general resources of, the International Monetary Fund (the "IMF").

(4) Listing: The Republic will make reasonable commercial efforts to list the Notes, and thereafter to maintain the listing of the Notes, on the Luxembourg Stock Exchange.

(5) Ranking: The Republic will ensure that its obligations under the Notes will at all times constitute direct, general, unconditional, unsubordinated and unsecured Indebtedness of the Republic ranking at all times equally among themselves without any preference among themselves and at least equally with all other present and future unsecured and unsubordinated Public External Indebtedness of the Republic.

Events of Default

Each of the following is an event of default with respect to the Notes:

(1) Non-Payment of Principal: Failure to pay for 30 continuous calendar days principal of any of the Notes when due;

(2) Non-Payment of Interest: Failure to pay for 30 continuous calendar days interest on the Notes when due;

(3) Breach of Other Obligations: Failure to perform any other obligation under the Notes for a period of 60 calendar days following written notice to the Fiscal Agent by the holder of any Note requiring the breach to be remedied;

(4) Cross-Default: Failure to make any payment in an aggregate principal amount in excess of US$35,000,000 (or its equivalent in other currencies) in respect of Public External Indebtedness when payable (whether upon maturity, acceleration or otherwise, as such time may be extended by any applicable grace period or waiver);

(5) Moratorium: Formal and official declaration by the Republic of a moratorium with respect to the payment of principal of or interest on Public External Indebtedness which does not expressly exclude the Notes;

(6) Denial of Obligations under Notes: Denial by an authorized official of the Republic's obligations under the Notes or the Fiscal Agency Agreement; or

then, in any such event, the holders of at least 25% of the aggregate principal amount of the Outstanding Notes may, by written notice given to the Republic and the Fiscal Agent, declare the principal of and any accrued interest on the Notes held by such holders to be, and such principal and any interest shall thereupon become, immediately due and payable immediately at their principal face amount plus interest accrued thereon to the date of payment, including any Additional Amounts, unless prior to receipt of such demand by the Republic all such defaults shall have been cured. Notes held by or on behalf of the Republic shall not be considered "Outstanding" for purposes of the preceding sentence. If any Event of Default described in clauses (1) through (6) above shall give rise to a declaration which shall be effective and such Event of Default is cured or waived following such declaration, then such declaration may be rescinded and annulled by the affirmative vote of the holders of 66⅔% or more of the aggregate principal amount of the Outstanding Notes in accordance with the procedures set forth in Section 9 below. Any default in respect of Indebtedness outstanding as of the date of the Fiscal Agency Agreement and arising in the form of a guarantee to secure obligations for borrowed money for which a financial institution controlled by the Republic is liable shall not constitute an Event of Default under clause (iv) above unless the Republic's guarantee in respect of such Indebtedness has been approved by appropriate and specific Congressional action of the Republic.

Upon any declaration of acceleration, the principal, interest and all other amounts payable on the Notes will be immediately due and payable on the date the Republic and the Fiscal Agent receive written notice of this declaration, unless the Republic has remedied the events of default prior to receiving the notice. The holders of 66⅔% or more of the aggregate principal amount of the Outstanding Notes may rescind a declaration of acceleration if the event or events of default giving rise to the declaration have been cured or waived.

Collective Action Securities, Modifications, Amendments and Waivers

A meeting of holders of Notes may be called, as set forth below, at any time and from time to time to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Fiscal Agency Agreement or the Notes to be made, given or taken by holders of Notes or to modify, amend or supplement the terms and conditions of the Notes or the Fiscal Agency Agreement as provided below. The Republic may at any time call a meeting of holders of Notes for any such purpose to be held at such time and at such place as the Republic will determine. Notice of every such meeting, setting forth the time and the place of such meeting and in reasonable detail the action proposed to be taken at such meeting, will be given as provided in the terms and conditions of the Notes, not less than 30 nor more than 60 calendar days prior to the date fixed for the meeting. In case at any time the Republic or the holders of at least 10% in aggregate principal amount of the Notes then Outstanding will have requested the Fiscal Agent to call a meeting of the holders of Notes for any such purpose, by written request setting forth the time and place of, and in reasonable detail the action proposed to be taken at, the meeting, the Fiscal Agent will call such a meeting for such purposes by giving notice of the meeting as provided in the terms and conditions of the Notes.

To be entitled to vote at any meeting of holders of Notes, a person must be a holder of Outstanding Notes or a person duly appointed by an instrument in writing as proxy for such holder. The persons entitled to vote a majority in principal amount of the Outstanding Notes will constitute a quorum. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting will, if convened at the request of the holders, be dissolved. In any other case, the meeting may be adjourned for a period of not less than 10 calendar days as determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than 10 calendar days as determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Notice of the reconvening of any adjourned meeting will be given in the same manner as provided in the preceding paragraph. Notice of the reconvening of an adjourned meeting will state expressly that, at the reconvening of any meeting adjourned for a lack of a quorum, the persons entitled to vote 25% in principal amount of the Outstanding Notes will constitute a quorum for the taking of any action set forth in the notice of the original meeting. Any meeting of holders of Notes at which a quorum is present may be adjourned from time to time by a vote of a majority in principal amount of the Outstanding Notes represented at the meeting, and the meeting may be held as so adjourned without further notice (except, so long as the Notes are listed on the Luxembourg Stock Exchange, as may be required under the regulations of that exchange).

The Republic, the Fiscal Agent and the holders of the Notes may generally modify or take actions with respect to the Fiscal Agency Agreement or the terms of the Notes with:

- the affirmative vote of the holders of not less than 66⅔% in aggregate principal amount of the Outstanding Notes that are represented at a duly called and held meeting; or
- the written consent of the holders of 66⅔% in aggregate principal amount of the Outstanding Notes.

However, the holders of not less than 75% in aggregate principal amount of the Outstanding Notes, whether voting at a meeting or by written consent, must consent to any amendments, modification, change or waiver with respect to the Notes that would:

- change the due date for the payment of the principal of, or any installment of interest on, any Note;
- reduce the principal amount of any Note, or the portion of such principal amount which is payable upon acceleration of the maturity of such Note, or the interest rate on the Note;
- change the currency in which any payment in respect of any Note is payable or the place or places in which such payment is to be made;
- change the definition of "Outstanding" with respect to the Notes;
- change the governing law provision of the Notes;
- change the courts to the jurisdiction of which the Republic has submitted, the Republic's obligation to appoint and maintain an Agent for service of process in the Borough of Manhattan, The City of New York or the Republic's waiver of immunity in respect of actions or proceedings brought by any holder based upon the Notes, as described in this offering circular;

- change the ranking of the Notes, as described under "Ranking";
- in connection with an offer to acquire all or any portion of the Notes, amend any event of default under the Notes;
- change the obligation of the Republic to pay Additional Amounts (as defined above); or reduce the percentage or proportion of the principal amount of the Notes that is required to modify, amend or supplement the Fiscal Agency Agreement or the terms and conditions of the Notes or to make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action provided in the Fiscal Agency Agreement or the Notes to be made, taken or given.

Any such modification, amendment or supplement will be binding on the holders of Notes. We refer to the above matters as "Reserved Matters." At any meeting of holders held to discuss a reserved matter, the persons entitled to vote 75% of the aggregate principal amount of the Outstanding Notes shall constitute a quorum. A change to a reserved matter, including the payment terms of the Notes, can be made without the consent of the holders of the Notes, as long as a supermajority of the holders (that is, the holders of at least 75% in aggregate principal amount of the Outstanding Notes, whether voting at a meeting or by written consent) agrees to the change.

The Republic and the Fiscal Agent may, upon agreement between themselves, without the affirmative vote or consent of any holder of Notes, modify, amend or supplement the Fiscal Agency Agreement or the Notes for the following purposes:

- adding to the covenants of the Republic for the benefit of the holders of Notes;
- surrendering any rights or power conferred upon the Republic;
- securing the Notes pursuant to the requirements of the Notes or otherwise;
- curing, correcting or supplementing any ambiguous, inconsistent or defective provision contained in the Fiscal Agency Agreement or in the Notes; or
- amending the Fiscal Agency Agreement or the terms and conditions of the Notes in any manner which will not adversely affect the rights or interests of any holder of Notes in any material respect.

Prescription

All claims against the Republic for payment of principal of or interest (including Additional Amounts, if any) on or in respect of the Notes will be prescribed unless made within five years from the date on which such payment first became due.

Notices

From and after the date the Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market and so long as it is required by the rules of such exchange, all notices from the Luxembourg transfer agent to the holders of the Notes will be published in English:

(1) in a leading newspaper having a general circulation in Luxembourg (which is expected to be the Luxemburger Wort);
(2) if such Luxembourg publication is not practicable, in one other leading English language newspaper being published on each day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions; or
(3) on the website of the Luxembourg Stock Exchange at www.bourse.lu.

Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication. In addition, notices to holders of certificated Notes will be mailed to holders of Notes at their registered addresses and notices to holders of Global Notes will be given to the relevant depositary in accordance with its applicable procedures.

Governing Law

The Notes and the Fiscal Agency Agreement will be governed by, and interpreted in accordance with, the laws of the State of New York, except that the due authorization and execution of the Notes by the Republic will be governed by the laws of the Republic of Guatemala.

Submission to Jurisdiction

The Republic will irrevocably submit to the non-exclusive jurisdiction of any New York state or U.S. federal court sitting in The City of New York, and any appellate court from any such courts, in any suit, action or proceeding arising out of or relating to the offering and sale of the Notes or the Republic's failure, or alleged failure, to perform any obligations under the Notes (a "related proceeding," which term will exclude claims or causes of action arising under the U.S. federal securities laws) and the Republic will irrevocably agree that all claims in respect of any related proceeding may be heard and determined in any such New York state or U.S. federal court. The Republic will irrevocably waive, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of any related proceeding, and any objection to any related proceeding, whether on the grounds of venue, residence or domicile. The Republic will agree that a final judgment in any related proceeding will be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. The Republic agrees to cause an appearance to be filed on its behalf and to defend itself in connection with any legal action instituted against it. However, a default judgment obtained in the United States against the Republic, resulting from the Republic's failure to appear and defend itself in any suit filed against the Republic, or from the Republic's deemed absence at the proceedings, may not be enforceable in the Republic.

The Republic will appoint the person for the time being acting as, or discharging the function of, Consul General of Guatemala in The City of New York (currently with an office at 57 Park Avenue, New York, New York 10016), and agrees that for so long as any Note remains Outstanding the person from time to time so acting, or discharging such functions, will be deemed to have been appointed as the Republic's Agent for service of process (the "process Agent") to receive on behalf of the Republic and its property service of copies of the summons and complaint and any other process which may be served in any related proceeding in any New York state or U.S. federal court sitting in The City of New York. The Republic will agree that such service may be made by U.S. registered mail or by delivering by hand a copy of such process to the Republic in care of the process Agent at the address specified above for the process Agent (and the Republic will agree that such service will be effective upon the mailing or delivery by hand of such process to the office of the process Agent), and the Republic will authorize and direct the process Agent to accept on its behalf such service. The Republic will agree that failure of the process Agent to give notice to the Republic, or failure of the Republic to receive notice, of such service of process will not affect in any way the validity of such service on the process Agent or the Republic. The Republic will also irrevocably consent to the service of any and all process in any related proceeding in any New York state or U.S. federal court sitting in The City of New York by depositing with the U.S. mail, postage prepaid, copies of such process addressed to the Republic at the Ministry of Public Finance, and the Republic will agree that such service will be effective seven days after mailing thereof. The Republic will agree that it will take any and all reasonable actions that may be necessary to continue the designation of the process Agent in full force and effect, and to cause the process Agent to continue to act as such. In addition, the Republic will agree that none of its agreements described in this paragraph or the preceding paragraph will affect the right of any party to serve legal process in any other manner permitted by law or affect the right of any party to bring any suit, action or proceeding against any other party or its property in the courts of other jurisdictions. However, the Republic has not consented to service in respect of any action, suit or proceeding brought against it under U.S. federal or any state securities laws.

To the extent that the Republic has or from this date forward may acquire any immunity (sovereign or otherwise) from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Republic has, to the fullest extent permitted under the U.S. Foreign Sovereign Immunities Act of 1976 or any other applicable law, irrevocably waived such immunity in respect of any action or proceeding arising out of, or related to, the offering and sale of the Notes or the Republic's failure, or alleged failure, to perform any obligations under the Notes; *provided*, *however*, that, under the laws of the Republic, the property and revenues of the Republic inside Guatemala are exempt from attachment or other form of execution, whether before or after judgment. The Republic's waiver of sovereign immunity does not extend to actions brought under the U.S. federal securities laws.

Currency Indemnity

If for the purpose of obtaining judgment in any court it is necessary to convert a sum due under the Notes or a situation described above to the holder of a Note in one currency into another currency, the Republic and each holder will be deemed to have agreed that the exchange rate used will be that at which in accordance with normal banking procedures such holder could purchase the first currency with such other currency in the city which is the principal financial center of the country of issue of the first currency on the second business day preceding the day on which final judgment is given.

The obligation of the Republic in respect of any sum payable by it to the holder of a Note will, notwithstanding any judgment in a currency (the "*Judgment Currency*") other than that in which such sum is denominated in accordance with the applicable provisions of the Notes (the "*Note Currency*"), be discharged only to the extent that on the business day following receipt by such holder of the Note of any sum adjudged to be so due in the Judgment Currency, such holder of the Note may in accordance with normal banking procedures purchase the Note Currency with the Judgment Currency. If the amount of the Note Currency so purchased is less than the sum originally due to the holder of the Note in the Note Currency (determined in the manner set forth in the preceding paragraph), the Republic will agree, as a separate obligation and notwithstanding any such judgment, to indemnify the holder of the Note against such loss, and if the amount of the Note Currency so purchased exceeds the sum originally due to the holder of the Note such holder will agree to remit to the Republic such excess, *provided* that such holder will have no obligation to remit any such excess as long as the Republic will have failed to pay such holder any obligations due and payable under the Note, in which case such excess may be applied to such obligations of the Republic under the Note in accordance with the terms of the Note.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the Fiscal Agency Agreement. Reference is made to the Fiscal Agency Agreement for a full definition of all such terms, as well as any other terms used herein for which no definition is provided:

"*External*" means, with reference to any Indebtedness, any Indebtedness that is issued under an instrument subject to, or under the laws of, a jurisdiction other than the Republic.

"*Indebtedness*" means a person's actual or contingent payment obligations for borrowed money, together with such person's actual or contingent liabilities under guarantee or similar arrangements to secure the payment of any other party's obligations for borrowed money.

"*Lien*" means any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or preferential arrangement having the practical effect of constituting a security interest, whether in effect on the date of the Fiscal Agency Agreement or at any time thereafter, including, without limitation, any equivalent claim or interest created or arising under the laws of the Republic of Guatemala.

"*Outstanding*" means any outstanding amount on any Note authenticated and delivered pursuant to the Fiscal Agency Agreement except for: (i) Notes theretofore canceled by the Registrar or delivered to the Fiscal Agent, any paying agent or any transfer agent for cancellation or held by the Fiscal Agent for reissuance but not reissued by the Fiscal Agent; or (ii) Notes in lieu of or in substitution for which other Notes have been authenticated and delivered pursuant hereto; *provided, however*, that in determining whether the holders of the requisite principal amount of outstanding Notes are present at a meeting of holders of Notes for quorum purposes or have consented to or voted in favor of any request, demand, authorization, direction, notice, consent, waiver, amendment, modification or supplement hereunder, Notes owned by or on behalf of the Republic or any of its affiliates (as such term is used for purposes of the Securities Act) shall be disregarded and deemed not to be outstanding, except that in determining whether the Fiscal Agent shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, waiver, amendment, modification or supplement, only Notes that an officer of the Fiscal Agent knows to be so owned that be so disregarded.

"*Payment Date*" means the business day immediately preceding each Scheduled Payment Date or the maturity date of the Notes.

"*Public External Indebtedness*" means Public Indebtedness that is External.

"*Public Indebtedness*" means any Indebtedness of, or guaranteed by, the Republic that:

- is publicly offered or privately placed in securities markets;
- is in the form of, or represented by, bonds, Notes or other securities or any guarantees thereof;
- is, or was expressly intended at the time of issue to be, quoted, listed or traded on any stock exchange, automated trading system or over-the-counter or other securities market (including, without prejudice to the generality of the foregoing, securities that are issued for cash consideration and that are eligible for sale pursuant to Rule 144A or Regulation S under the Securities Act (or any successor law or regulation of similar effect)); and
- has an original maturity of more than one year or is combined with a commitment so that the original maturity of one year or less may be extended at the option of the Republic to a period in excess of one year.

"*Person*" and "*party*" include the Republic.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

Global notes

The Notes will initially be issued in the form of two registered Notes in global form, without interest coupons, as follows:

- Notes sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act will be represented by a global note (which we refer to in this offering circular as the "Rule 144A Global Note"); and

- Notes sold in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act will be represented by a global note (which we refer to in this offering circular as the "Regulation S Global Note").

Upon issuance, each of the Global notes will be deposited with the fiscal agent as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in each global note will be limited to persons who have accounts with DTC (which we refer to in this offering circular as the "DTC participants") or persons who hold interests through DTC participants. The Republic expects that under procedures established by DTC:

- upon deposit of each global note with DTC's custodian, DTC will credit portions of the principal amount of the global note to the accounts of the DTC participants designated by the Sole 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 DTC (with respect to interests of DTC participants) and the records of DTC 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 Banking, 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 Banking that are DTC participants. Each of Euroclear and Clearstream Banking will appoint a DTC participant to act as its depositary for the interests in the Regulation S Global Note that are held within DTC for the account of each of these settlement systems on behalf of its respective participants.

Euroclear and Clearstream Banking will hold omnibus positions on behalf of their participants through customers' securities accounts for Euroclear and Clearstream Banking on the books of their respective depositaries, which in turn will hold positions in customers' securities accounts in the depositaries' names on the books of DTC.

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. The fiscal agent may require the seller to provide certain written certifications in the form provided in the fiscal agency agreement.

Any 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 DTC, Euroclear and Clearstream Banking. 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. Neither the Republic nor the Sole Lead Manager are responsible for those operations or procedures.

DTC has advised that it is:

- a limited purpose trust company organized under the laws of the State of New York;
- a "banking organization" within the meaning of the New York State Banking Law;
- a member of the U.S. Federal Reserve System;
- a "clearing corporation" within the meaning of the Uniform Commercial Code; and
- a "clearing agency" registered under Section 17A of the U.S. Securities Exchange Act of 1934.

DTC 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. DTC's participants include securities brokers and dealers, including the Sole Lead Manager; banks and trust companies; clearing corporations; and other organizations. Indirect access to DTC'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 DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC's nominee is the registered owner of a global note, that nominee will be considered the sole owner or holder of the Notes represented by that global note for all purposes under the fiscal agency agreement. 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 fiscal agency agreement for any purpose, including with respect to the giving of any direction, instruction or approval to the fiscal agent under the fiscal agency agreement.

As a result, each investor who owns a beneficial interest in a global note must rely on the procedures of DTC to exercise any rights of a holder of Notes under the fiscal agency agreement (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC 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 fiscal agent to DTC's nominee as the registered holder of the global note. Neither the Republic nor the fiscal agent 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 DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC 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 DTC.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream Banking will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers between DTC participants, on the one hand, and participants in Euroclear or Clearstream Banking, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream Banking. To deliver or receive an interest in a global note held in a Euroclear or Clearstream Banking account, an investor must send transfer instructions to Euroclear or Clearstream Banking, 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, Euroclear or Clearstream Banking, as the case may be, will send instructions to its DTC depositary to take action to effect final settlement by delivering or receiving interests in the relevant global notes in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream Banking participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear or Clearstream Banking.

Because of time zone differences, the securities account of a Euroclear or Clearstream Banking participant that purchases an interest in a global note from a DTC participant will be credited on the business day for Euroclear or Clearstream Banking immediately following the DTC settlement date. Cash received in Euroclear or Clearstream Banking from the sale of an interest in a global note to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream Banking cash account as of the business day for Euroclear or Clearstream Banking following the DTC settlement date.

DTC, Euroclear and Clearstream Banking 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 fiscal agent will have any responsibility for the performance by DTC, Euroclear or Clearstream Banking 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 in registered form and delivered to each person that DTC identifies as a beneficial owner of the related Notes only if:

- DTC 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;

- DTC 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;

- the Republic, at its option, notifies the fiscal agent that it elects to cause the issuance of certificated Notes; or

- an event of default has occurred and is continuing with respect to the Notes.

TRANSFER RESTRICTIONS

The Notes are subject to the following restrictions on transfer. By purchasing Notes, you will be deemed to have made the following acknowledgments, representations to and agreements with the Republic and the Sole Lead Manager:

(1) You acknowledge 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 a transaction exempt from, or 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, as applicable, paragraph (4) or (5) below.

(2) You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of the Republic, that you are not acting on the Republic's behalf and that either:

- you are a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and are purchasing Notes for your own account or for the account of another qualified institutional buyer, and you are aware that the Sole Lead Manager is selling the Notes to you in reliance upon Rule 144A; or

- you are 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 you are purchasing Notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that neither the Republic nor the Sole Lead Manager nor any person representing the Republic or the Sole Lead Manager has made any representation to you with respect to the Republic or the offering of the Notes, other than the information contained in this offering circular. You agree that you have had access to such information concerning the Republic and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from the Republic.

(4) If you are purchasing Notes in reliance upon Rule 144A, you represent that you are purchasing Notes for your own account, or for one or more investor accounts for which you are 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 your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from the registration requirements of the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that until the end of the resale restriction period (as defined below), the Notes may be offered, sold, pledged or otherwise transferred only:

(a) to the Republic or an affiliate of 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 offer, sale, pledge or other transfer is being made in reliance on Rule 144A;

(d) through offers and sales that occur outside the United States within the meaning of Regulation S;

(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.

You also acknowledge that:

- the above restrictions on resale will apply from the closing date of the offering of the Notes until the date that is one year (in the case of Rule 144A Notes) after the later of the closing date and the last date that the Republic or any of its affiliates was the owner of the Notes or any predecessor of the Notes (which period we refer to in this offering circular as the "resale restriction period"), and will not apply after the resale restriction period ends; and

- each note will 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 THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR TRANSFER OF THIS NOTE IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS, INCLUDING THOSE SET FORTH IN THE FISCAL AGENCY AGREEMENT REFERRED TO ON THE REVERSE HEREOF. THE HOLDER HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS NOTE, ACKNOWLEDGES THAT THIS NOTE IS A "RESTRICTED SECURITY" FOR PURPOSES OF THE SECURITIES ACT AND AGREES FOR THE BENEFIT OF THE REPUBLIC OF GUATEMALA (THE "ISSUER") THAT THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS ONE YEAR (IN THE CASE OF 144A NOTES) AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE), ONLY (A) TO THE ISSUER, (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 UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE OFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, (D) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (E) UNDER ANY OTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE RIGHT OF THE ISSUER PRIOR TO ANY SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO IT. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE**."

(5) If you are purchasing Notes in reliance upon Regulation S, you represent that you are purchasing Notes for your account, or for one or more investors accounts for which you are 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. You agree, on your behalf and on behalf of any investor account for which you are purchasing Notes, that each note will 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. ACCORDINGLY, THIS NOTE 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 FISCAL AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT**."

(6) You acknowledge that the Republic, the Sole Lead Manager and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have been made by your purchase of Notes is no longer accurate, you will promptly notify the Republic and the Sole Lead Manager. If you are purchasing any Notes as a fiduciary or agent for one or

more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

(7) According to the Luxembourg Stock Exchange, Chapter VI, Article 3, point A/II/2 of the Rules and Regulations of the Luxembourg Stock Exchange, the Notes shall be freely transferable and therefore no transaction made on the Luxembourg Stock Exchange shall be cancelled.

Because of the foregoing transfer restrictions, purchasers of Notes are advised to consult their respective legal advisors prior to making any offer, resale, pledge or other transfer of Notes.

TAXATION

The following discussion summarizes certain U.S. federal income and Guatemalan tax considerations that may be relevant to you if you invest in the Notes. This summary is based on laws, regulations, rulings and decisions now in effect in the United States and on laws and regulations in effect in Guatemala, in each case which may change. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisors about the tax consequences of holding the Notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

Guatemalan Taxation

Under current Guatemalan law, the payment of principal on the Notes placed outside Guatemala is not subject to Guatemalan income or withholding tax.

With respect to withholding on interest payments on the Notes, the Legal Affairs Section of the Guatemalan Superintendence of Tax Administration ("SAT") has issued a resolution on May 15, 2012 pursuant to the new tax reform effective January 1, 2013 to the effect that interest on the Notes regardless of when such Notes are acquired by a holder, will not be subject to withholding. Nevertheless, the resolution refers to the Notes issued in 2012 and it does not state that it is binding. In the event that the government were to impose a withholding tax (currently 10%), the Notes provide that the Republic will be obligated to pay Additional Amounts. See "Description of the Notes—Additional Amounts."

Gains realized on the sale or other disposition of the Notes outside or inside Guatemala are not subject to Guatemalan income or withholding tax.

There are no Guatemalan inheritance or succession taxes applicable to the Notes, provided that the Notes are not physically located in the territorial jurisdiction of Guatemala and that the probate is not initiated and administered in Guatemala.

Certain U.S. Federal Income Tax Consequences

This disclosure is limited to the U.S. federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the Notes. This tax disclosure was written in connection with the promotion or marketing of the Notes by the Republic, and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the Internal Revenue Code of 1986, as amended (the "Code"). Prospective investors should seek their own advice based on their particular circumstances from an independent tax adviser.

The following are certain U.S. federal income tax consequences to a U.S. Holder (as defined below) of owning and disposing of Notes purchased in this offering at the initial offering price and held as capital assets for U.S. federal income tax purposes.

This discussion does not describe all of the tax consequences that may be relevant to you in light of your particular circumstances, including alternative minimum tax and "Medicare contribution tax" consequences, and differing tax consequences applicable to you if you are, for instance:

- a financial institution;
- a regulated investment company;
- a dealer or trader in securities;
- holding Notes as part of a "straddle" or integrated transaction;
- a U.S. Holder (as defined below) whose functional currency is not the U.S. dollar;
- a partnership for U.S. federal income tax purposes; or
- a tax-exempt entity.

If you are a partnership for U.S. federal income tax purposes, the U.S. federal income tax treatment of your partners will generally depend on the status of the partners and your activities.

This summary is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this offering circular may affect the tax consequences described herein. This summary does not address any aspect of state, local or non-U.S. taxation. If you are considering the purchase of Notes, you should consult your tax adviser with regard to the application of the U.S. federal tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

You are a U.S. Holder if for U.S. federal income tax purposes you are a beneficial owner of a Note that is:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Payments of Interest

Stated interest on a Note will be taxable to you as ordinary interest income at the time it accrues or is received, in accordance with your method of accounting for federal income tax purposes. It is expected, and this discussion assumes, that the Notes will be issued without original issue discount for U.S. federal income tax purposes. If, however, a Note's principal amount exceeds its issue price by an amount that does not satisfy a *de minimis* test, you will be required to include the excess in income as original issue discount, as it accrues, in accordance with a constant-yield method based on a compounding of interest before the receipt of cash payments attributable to this income.

Interest income earned with respect to a Note will constitute foreign-source income for U.S. federal income tax purposes. Any Additional Amounts paid pursuant to the obligations described under "Description of the Notes – Additional Amounts" will be treated as ordinary interest income. Subject to applicable limitations, some of which may vary depending upon your particular circumstances, any Guatemalan income taxes withheld from interest income on a Note will be creditable against your U.S. federal income tax liability. The rules governing foreign tax credits are complex, and you should consult your tax adviser regarding the availability of foreign tax credits in your particular circumstances.

Sale or Other Taxable Disposition of a Note

Upon the sale or other taxable disposition of a Note, including payment at maturity, you will recognize taxable gain or loss equal to the difference between the amount realized on the sale or other taxable disposition and your adjusted tax basis in the Note. Your adjusted tax basis in a Note will generally equal the cost of your Note. Gain, if any, will generally be U.S.-source income for purposes of computing your foreign tax credit limitation. For these purposes, the amount realized does not include any amount attributable to accrued interest, which is treated as described under "Payments of Interest" above.

Gain or loss recognized on the sale or other taxable disposition of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of the sale or other taxable disposition the Note has been held for more than one year. Long-term capital gains recognized by certain non-corporate taxpayers are subject to reduced tax rates. The deductibility of capital losses is subject to limitations.

Backup Withholding and Information Reporting

Information returns may be required to be filed with the Internal Revenue Service in connection with payments on the Notes and proceeds received from a sale or other disposition of the Notes unless you are an exempt recipient. You may also be subject to backup withholding on these payments unless you provide your taxpayer identification number and otherwise comply with applicable requirements of the backup withholding rules or provide proof of an applicable exemption. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

European Union Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments, each member state of the EU (each an "EU Member State") is required to provide to the tax or other relevant authorities of another EU Member State details of payments of interest or other similar income made by a person within its jurisdiction to an individual or certain other types of person resident in that other EU Member State; however, for a transition period, Austria and Luxembourg have instead opted to apply a withholding system in relation to such payments, deducting tax at a rate of 35%, unless during that period they elect otherwise. The transitional period is to terminate following agreement by certain non-EU countries to the exchange of information relating to such payments. A number of non-EU countries, and certain dependent or associated territories of certain EU Member States, have agreed to adopt similar measures (either provision of information or transitional withholding).

The European Commission has published proposals for amendments to the Directive, which, if implemented, would amend and broaden the scope of the requirements above.

THIS SUMMARY DOES NOT CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF NOTES. PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE CONSEQUENCES OF OWNING THE NOTES.

PLAN OF DISTRIBUTION

HSBC Securities (USA) Inc. is acting as Sole Lead Manager of the offering. Subject to the terms and conditions in the Purchase Agreement among the Republic and the Sole Lead Manager, dated the date of this Offering Circular (the "Purchase Agreement"), the Republic has agreed to sell to the Sole Lead Manager, and the Sole Lead Manager has agreed to purchase from the Republic, all of the Notes if it purchases any of the Notes.

The Purchase Agreement provides that the obligations of the Sole Lead Manager to purchase the Notes are subject to approval of legal matters by counsel and to other conditions.

The Republic has been advised that the Sole 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 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 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 Sole Lead Manager has agreed that, except as permitted by the Purchase Agreement and set forth in "Transfer Restrictions", they 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 following the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act.

Although application will be made to list the Notes on 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 Sole 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 assure you 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. If an active public trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected.

In connection with the offering, the Sole Lead Manager may purchase and sell Notes in the open market. These transactions may include over-allotment, covering transactions and stabilizing transactions. Over-allotment involves sales of Notes in excess of the principal amount of Notes to be purchased by the Sole Lead Manager in this offering, which creates a short position for the Sole Lead Manager. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of Notes made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress. Any of these activities 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 otherwise would exist in the open market in the absence of these transactions. The Sole Lead Manager may conduct these transactions in the over-the-counter market or otherwise. If the Sole Lead Manager commences any of these transactions, it may discontinue them at any time.

The Sole Lead Manager and its affiliates have provided investment banking, commercial banking and financial advisory services for the Republic from time to time for which they have received customary fees and reimbursements of expenses and may in the future provide additional services for which they will receive customary fees and reimbursements of expenses.

Pursuant to the Purchase Agreement, with respect to the Notes, the Republic has agreed to indemnify the Sole Lead Manager against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Sole Lead Manager may be required to make because of any of those liabilities.

It is expected that delivery of the Notes will be made against payment therefor on or about the date specified on the cover page of this Offering Circular, which will be the fifth business day following the date of pricing of the Notes (this settlement cycle being referred to as "T+5"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, U.S. purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes in other countries who wish to trade the Notes on the date of pricing or the next two succeeding business days should consult their own advisor.

The Notes are offered for sale in those jurisdictions in the United States, Europe, Central America, South America, Asia and elsewhere where it is lawful to make such offers.

The Notes have not been offered, sold or delivered and will not be offered, sold or delivered, directly or indirectly, and this Offering Circular or any information incorporated by reference herein or any other offering material relating to the Notes, has not been and will not be distributed in or from any jurisdiction except under circumstances that will result in compliance with the applicable laws and regulations thereof and that will not impose any obligations on the Republic except as set forth in the Purchase Agreement.

No action has been or will be taken by the Republic or the Sole Lead Manager that would or is intended to permit an offering of the Notes or the possession, circulation or distribution of this Offering Circular in preliminary or final form, or any other offering material relating to the Republic or the Notes, in any country or jurisdiction where action for that purpose is required.

In relation to each member state of the European Economic Area (each, a "Member State") which has implemented the Prospectus Directive (each, a "Relevant Member State"), the Sole Lead Manager has represented and agreed that 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 to the public of any Notes which are the subject of the offering contemplated by this Offering Circular may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Notes may be made any time with effect from and including the Relevant Implementation Date under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- To legal entities which are qualified investors as defined in the Prospectus Directive;

- To fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 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 representatives of the Sole Lead Manager for any such offer; or

- In any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Republic or the Sole Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

The Sole Lead Manager of Notes described in this Offering Circular located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" as defined in the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Notes 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 any Notes to be offered so as to enable an investor to decide to purchase any Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospects 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 each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

The Sole Lead Manager has agreed that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular to the public in the Grand Duchy of Luxembourg, except that it may make an offer of such notes in Luxembourg:

(i) In the cases described under the European Economic Area selling restrictions in which an initial purchaser can make an offer of notes to the public in a Member State (including Luxembourg); and/or

(ii) To national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organizations; and/or

(iii) To legal entities which are authorized or regulated to operate in the financial markets including credit institutions, investment companies, other authorized or regulated financial institutions, insurance companies, undertakings for collective investment and their management companies, pension and investment funds and their management companies, commodity dealers; and/or

(iv) To certain natural persons or small and medium-sized companies (as defined in the Prospects Directive) recorded in the register of natural persons or small and medium sized companies considered as qualified investors and held by the Commission de Surveillance du Secteur Financier (CSSF) as competent authority in Luxembourg in accordance with the Directive 2003/71/EC; and/or

(v) In any other circumstances for which the Luxembourg Act of 10th July, 2005 on prospectuses for securities does not require a public offering prospectus to be established.

This Offering Circular is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a "Relevant Person"). This Offering Circular and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this document or any of its contents.

The Sole Lead Manager represents and agrees that:

- 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 us; and
- It has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

This Offering Circular does not constitute an issue prospectus pursuant to Article 652a or Article 1,156 of the Swiss Code of Obligations. The Notes will not be listed on the SIX Swiss Exchange and, therefore, this Offering Circular may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the Notes with a view to distribution. The prospective investors must be individually approached by a dealer from time to time.

The Notes have not been, and will not be, registered for public offering in Panama with the National Securities Commission of Panama under Decree-Law 1 of July 8, 1999, as reformed by Law 67 of 2011 (the "Panamanian Securities Act"). Accordingly, the Notes may not be offered or sold in Panama, except in certain limited transactions exempted from the registration requirements of the Panamanian Securities Act. The Notes do not benefit from tax incentives accorded by the Panamanian Securities Act, and are not subject to regulation or supervision by the National Securities Commission of Panama as long as the Notes are offered to no more than 25 persons domiciled in Panama and result in the sale to no more than 10 of such persons.

The Notes and the information contained in this Offering Circular have not been and will not be registered with or approved by the *Superintendencia de Mercado de Valores* (the Peruvian Capital Markets Superintendency) or the Lima Stock Exchange. Accordingly, the Notes cannot be offered or sold in Peru, except if such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian securities market law establishes, among others, that any particular offer may qualify as private if it is directed exclusively to institutional investors.

Application has been made to the Foreign Investment Instruments Registry (*Registro de Instrumentos de Inversión Extranjeros*) of the Superintendency of Banks, Insurance & Private Pension Fund Administrators (Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones) to register the Notes in order to make them eligible for Peruvian pension fund investment, as required by Peruvian legislation. The definitive registration of the Notes will be provided by such Superintendency after filing with such entity the final executed versions of certain documents with respect to the offering and issuance of the Notes.

Other institutional investors, as defined by Peruvian legislation, must rely on their own examination of the terms of the offering of the Notes to determine their ability to invest in them.

The Notes may not be offered or sold in Chile, directly or indirectly, by means of a "Public Offer" (as defined under Chilean Securities Law (Law No. 18045 and regulations from the Superintendencia de Valores y Seguros of the Republic of Chile)). Chilean institutional investors (such as banks, pension funds and insurance companies) are required to comply with specific restrictions relating to the purchase of the Notes.

The Notes will not be authorized by the *Superintendencia Financiera de Colombia* (Colombian Superintendency of Finance) and will not be registered under the *Registro Nacional de Valores y Emisores* (Colombian National Registry of Securities and Issuers), and, accordingly, the Notes will not be offered or sold to persons in Colombia except in circumstances which do not result in a public offering under Colombian law.

The Sole Lead Manager has acknowledged and agreed, on behalf of itself and its respective selling agent, if any, that (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than to persons whose ordinary business it is to buy or sell shares or debentures (whether as principal or agent) or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong; and (b) it has not issued or had in its possession for the purpose of issue and will not issue or have in its possession for the purpose of issue any invitation, advertisement or document relating to the Notes in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes intended to be disposed of to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Future Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

This Offering Circular or any other offering material distributed by the Sole Lead Manager relating to the Notes has not been and will not be registered as a prospectus with the Monetary Authority of Singapore, and the Notes will be offered in Singapore pursuant to the exemptions under Section 274 and Section 275 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for the subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the SFA, (2) to a relevant person under Section 275(1) and/or any person under Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

In the Republic, the Notes will comply with the rules of the Securities and Commodities Market Law (Decree 34-96) and its regulation (Governmental Accord 557-97). The Notes will not be registered for public offering with the Securities Market Registry (*Registro del Mercado de Valores y Mercancías*) of the Republic, and, accordingly, the Notes will not be offered or sold: (i) to any person in an open market, directly or indirectly by means of massive communication; (ii) through a third party or intermediary to any individual person or entity that is considered an institutional investor, including entities that are under the supervision of the Banking Regulator, the Social Security Institute of Guatemala (*Instituto de Seguridad Social –IGSS*) and its affiliates; (iii) to any entity or vehicle used for purposes of collective investment; or (iv) to more than 35 individual persons or entities.

LEGAL MATTERS

The validity of the Notes will be passed upon on behalf of the Republic by Cuestas PPQ, Guatemalan counsel to the Republic, and by Davis Polk & Wardwell LLP, U.S. counsel to the Republic. The validity of the Notes will be passed upon on behalf of the Sole Lead Manager by Consortium-Rodriguez, Archila, Castellanos, Solares & Aguilar, S.C., Guatemalan counsel to the Sole Lead Manager, and by Shearman & Sterling LLP, U.S. counsel to the Sole Lead Manager. As to all matters of Guatemalan law, Davis Polk & Wardwell LLP will rely on the opinions of Cuestas PPQ, and Shearman & Sterling LLP will rely upon the opinion of Consortium-Rodriguez, Archila, Castellanos, Solares & Aguilar, S.C.

OFFICIAL STATEMENTS

Information in this offering circular whose source is identified as a publication of the Republic or one of its agencies or instrumentalities relies on the authority of such publication as a public official document of the Republic.

GENERAL INFORMATION

1. The issuance of the Notes was authorized pursuant to Congressional Decree Number 30-2012 of the Congress of the Republic, effective January 1, 2013.

2. Application will be made to list the Notes on the Luxembourg Stock Exchange.

3. Except as otherwise set forth herein, neither the Republic nor any governmental agency of the Republic is involved in any litigation or arbitration or administrative proceedings relating to claims or amounts which are material in the context of the issue of the Notes and which would materially and adversely affect the Republic's ability to meet its obligations under the Notes and the fiscal agency agreement and, so far as the Republic is aware, no such litigation or arbitration or administrative proceedings are pending or threatened.

4. Copies of the following documents shall be available during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the specified offices of the fiscal agent and the paying agents:

- The fiscal agency agreement (including the forms of the Notes);
- English translations of Congressional Decrees 30-2012 referred to in paragraph 1 above;
- The Republic's consolidated public sector fiscal accounts for 2006-2012 and, as soon as available, each subsequent year; and
- The Republic's budget for its next fiscal year, as soon as available after approval by Congress.

5. Application will be made to have the Notes that are sold outside the United States in reliance on Regulation S under the Securities Act and represented by the Regulation S Global Note accepted for clearance through Euroclear and Clearstream Banking. The CUSIP numbers for the Regulation S Global Note and the Rule 144A Global Note are P5015VAE6 and 401494AF6, respectively. Application has also been made for the Regulation S Global Note and the Rule 144A Global Note to be accepted for clearance through the Euroclear and Clearstream banking clearance systems and the Notes have been accepted for clearance in such systems. The Common Codes for the Regulation S Global Note and the Rule 144A Global Note are 087079627 and 087079619, respectively. The International Securities Identification Numbers ("ISIN") for the Regulation S Global Note and the Rule 144A Global Note are USP5015VAE67 and US401494AF63, respectively.

6. Other than as disclosed in this 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 Notes since December 31, 2012.

APPENDIX A
REPUBLIC OF GUATEMALA: GLOBAL PUBLIC SECTOR EXTERNAL DEBT
(AS OF DECEMBER, 2012) (1)

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of December 31, 2012 (In thousands of US$)
USAID	GOCE	09/30/1987	5.00%	05/27/2018	0.06
USAID	GOCE	09/30/1987	5.00%	01/18/2015	0.14
USAID	GOCE	09/30/1987	5.00%	09/21/2020	0.23
USAID	GOCE	09/30/1987	5.00%	10/30/2014	0.76
USAID	GOCE	09/27/1986	5.00%	09/27/2018	0.02
USAID	GOCE	09/27/1986	5.00%	10/14/2016	0.05
USAID	GOCE	03/20/1985	5.00%	12/12/2013	0.05
USAID	GOCE	03/20/1985	5.00%	12/12/2013	0.05
USAID	GOCE	09/30/1983	3.00%	04/18/2013	0.07
USAID	GOCE	06/13/1983	3.00%	12/27/2023	1.37
USAID	GOCE	04/30/1974	3.00%	04/22/2015	0.54
USAID	GOCE	02/28/1973	3.00%	08/09/2014	0.12
USAID	GOCE	02/14/1973	3.00%	06/04/2014	0.23
USAID	GOCE	02/05/1971	3.00%	10/17/2013	0.06
CABEI	GOCE	10/15/1998	3.00%	10/15/2018	0.40
CABEI	GOCE	10/15/1998	3.00%	10/15/2018	0.40
CABEI	GOCE	02/09/1999	3.00%	02/09/2019	0.43
CABEI	GOCE	12/21/2001	5.85%	02/12/2014	3.89
CABEI	GOCE	07/30/2008	5.90%	07/25/2028	6.51
CABEI	GOCE	05/13/2003	6.00%	05/13/2018	9.42
CABEI	GOCE	05/13/2003	5.88%	05/13/2023	18.90
CABEI	GOCE	09/24/2004	5.85%	09/24/2016	19.28
CABEI	GOCE	06/18/2002	5.85%	08/05/2016	20.77
CABEI	GOCE	09/26/2007	5.90%	09/26/2022	22.79
CABEI	INDE	12/09/2005	5.90%	12/09/2025	29.92
CABEI	GOCE	10/16/2008	5.90%	10/14/2028	69.65
CABEI	GOCE	03/26/2010	5.90%	03/26/2025	97.84
CABEI	GOCE	09/11/2009	5.90%	11/27/2029	134.16
CABEI	GOCE	10/11/2011	5.90%	10/25/2026	265.00
CABEI	GOCE	01/16/2006	5.90%	01/25/2026	321.67
IDB	GOCE	10/02/1973	2.00%	10/06/2013	0.58
IDB	EMPAGUA	10/16/1973	1.25%	10/16/2013	0.33
IDB	GOCE	02/26/1974	2.00%	02/24/2014	0.47
IDB	GOCE	05/07/1975	2.00%	05/06/2015	0.42
IDB	GOCE	05/21/1975	2.00%	05/20/2015	0.18
IDB	GOCE	05/21/1975	2.00%	05/20/2015	0.83
IDB	INDE	01/10/1976	2.00%	01/15/2016	5.60
IDB	GOCE	01/15/1976	2.00%	01/15/2016	0.79

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of December 31, 2012 (In thousands of US$)
IDB	GOCE	01/15/1976	2.00%	01/15/2016	1.65
IDB	GOCE	01/15/1976	2.00%	01/15/2016	2.25
IDB	CORFINA	04/05/1976	2.00%	04/06/2016	0.81
IDB	GOCE	05/19/1976	0.00%	05/19/2016	1.63
IDB	GOCE	06/30/1976	2.00%	07/06/2016	3.61
IDB	GOCE	06/02/1977	2.00%	05/24/2017	4.49
IDB	EMPAGUA	05/18/1978	1.75%	05/18/2018	6.02
IDB	GOCE	02/18/1981	2.00%	02/18/2021	7.75
IDB	GOCE	06/12/1981	2.00%	05/24/2021	7.31
IDB	GOCE	04/27/1982	2.00%	10/24/2022	5.27
IDB	GOCE	04/27/1982	2.00%	10/24/2022	7.80
IDB	GOCE	03/20/1983	2.00%	03/24/2023	3.84
IDB	GOCE	03/20/1983	2.00%	03/24/2023	6.60
IDB	GOCE	09/06/1983	2.00%	09/06/2023	6.44
IDB	GOCE	05/24/1984	2.00%	05/24/2024	2.93
IDB	INDE	09/27/1984	2.00%	09/24/2024	6.66
IDB	GOCE	03/05/1987	2.00%	03/06/2027	6.16
IDB	GOCE	03/05/1987	2.00%	03/06/2027	12.04
IDB	GOCE	10/02/1991	2.00%	10/02/2031	22.15
IDB	GOCE	12/07/1992	2.00%	11/24/2032	10.22
IDB	GOCE	02/03/1993	2.00%	02/03/2033	31.44
IDB	GOCE	01/25/1994	4.46%	01/25/2014	2.13
IDB	GOCE	01/25/1994	4.46%	01/25/2014	7.69
IDB	GOCE	01/25/1994	2.00%	01/25/2034	28.67
IDB	GOCE	10/04/1995	4.46%	01/13/2016	6.48
IDB	GOCE	01/13/1996	5.21%	01/13/2021	6.23
IDB	GOCE	01/13/1996	5.21%	01/13/2021	22.37
IDB	GOCE	01/13/1996	5.21%	01/13/2021	44.74
IDB	GOCE	09/30/1996	5.21%	09/30/2021	0.68
IDB	GOCE	12/30/1996	5.21%	12/16/2026	24.17
IDB	GOCE	01/21/1997	5.21%	01/21/2027	10.20
IDB	GOCE	01/21/1997	2.00%	01/21/2037	24.67
IDB	GOCE	09/10/1997	5.21%	09/10/2022	3.21
IDB	GOCE	09/10/1997	5.21%	09/10/2022	8.02
IDB	GOCE	10/20/1997	5.21%	10/20/2017	2.72
IDB	GOCE	10/20/1997	5.21%	10/20/2017	24.97
IDB	GOCE	03/14/1998	2.00%	03/14/2038	8.77
IDB	GOCE	03/14/1998	5.21%	03/14/2023	26.37
IDB	GOCE	09/18/1998	5.21%	09/18/2028	9.46
IDB	GOCE	12/11/1998	5.21%	12/11/2018	3.18

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of December 31, 2012 (In thousands of US$)
IDB	GOCE	01/22/1999	5.21%	01/22/2029	25.26
IDB	GOCE	03/14/1999	5.21%	03/14/2029	15.98
IDB	GOCE	10/18/1999	5.21%	10/18/2029	58.82
IDB	GOCE	03/26/2000	4.87%	03/26/2020	16.88
IDB	GOCE	07/03/2001	5.21%	07/03/2026	92.06
IDB	GOCE	02/11/2002	5.21%	02/11/2027	4.37
IDB	GOCE	02/11/2002	4.41%	02/11/2022	12.48
IDB	GOCE	02/11/2002	4.96%	02/11/2032	42.05
IDB	INDE	09/17/2002	2.69%	09/17/2027	1.29
IDB	GOCE	09/17/2002	5.21%	09/17/2027	3.61
IDB	INDE	09/17/2002	1.13%	09/17/2037	9.79
IDB	INDE	09/17/2002	2.69%	09/17/2027	27.27
IDB	GOCE	09/17/2002	5.21%	09/17/2022	133.33
IDB	GOCE	12/12/2002	5.21%	12/12/2022	0.37
IDB	GOCE	12/12/2002	5.09%	12/12/2027	2.56
IDB	GOCE	06/02/2003	4.29%	06/02/2028	35.20
IDB	GOCE	09/23/2005	4.91%	09/23/2030	30.81
IDB	GOCE	02/03/2006	5.21%	02/03/2031	92.50
IDB	GOCE	11/03/2006	2.31%	11/03/2031	30.36
IDB	GOCE	05/18/2007	2.71%	05/18/2032	6.25
IDB	GOCE	06/06/2007	5.21%	06/06/2027	96.67
IDB	GOCE	10/23/2007	2.51%	05/15/2032	14.01
IDB	GOCE	12/10/2007	2.58%	12/10/2032	13.69
IDB	GOCE	04/05/2008	0.25%	04/05/2048	12.20
IDB	GOCE	04/05/2008	2.36%	04/05/2033	13.32
IDB	GOCE	04/05/2008	5.21%	04/05/2028	39.00
IDB	GOCE	04/05/2008	5.21%	04/05/2038	48.80
IDB	GOCE	02/25/2009	2.69%	02/25/2034	6.38
IDB	GOCE	02/25/2009	0.25%	02/25/2039	12.20
IDB	GOCE	02/25/2009	2.69%	02/25/2034	30.00
IDB	GOCE	02/25/2009	2.69%	02/25/2039	48.80
IDB	GOCE	02/25/2009	2.69%	02/25/2029	139.00
IDB	GOCE	02/25/2009	3.30%	02/25/2029	400.00
IDB	GOCE	04/21/2010	2.80%	04/21/2035	4.54
IDB	GOCE	04/21/2010	2.72%	04/21/2035	13.43
IDB	GOCE	10/06/2011	0.25%	10/06/2051	7.36
IDB	GOCE	10/06/2011	3.62%	10/06/2041	29.44
IDB	GOCE	10/06/2011	1.09%	10/06/2031	213.20
IDB	GOCE	12/14/2011	0.25%	12/14/2051	0.56
IDB	GOCE	12/14/2011	2.75%	12/14/2041	2.24

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of December 31, 2012 (In thousands of US$)
IBRD	GOCE	05/21/1993	3.10%	02/15/2013	1.36
IBRD	GOCE	01/22/1996	1.41%	08/15/2015	2.73
IBRD	GOCE	09/11/1998	5.36%	03/15/2013	4.32
IBRD	GOCE	09/11/1998	0.99%	01/15/2018	7.35
IBRD	GOCE	09/11/1998	0.99%	01/15/2018	30.44
IBRD	GOCE	12/04/1998	1.00%	10/15/2018	9.34
IBRD	GOCE	01/22/1999	1.28%	08/15/2018	16.15
IBRD	GOCE	01/22/1999	1.28%	08/15/2018	25.25
IBRD	GOCE	04/27/2000	1.25%	10/15/2018	11.64
IBRD	GOCE	04/27/2000	1.28%	02/15/2019	16.37
IBRD	GOCE	05/23/2002	1.29%	12/15/2017	6.91
IBRD	GOCE	11/14/2002	1.31%	02/15/2018	30.32
IBRD	GOCE	12/13/2002	3.65%	08/15/2018	1.97
IBRD	GOCE	12/13/2002	5.28%	08/15/2018	81.75
IBRD	GOCE	02/10/2003	1.25%	09/01/2018	16.39
IBRD	GOCE	10/27/2004	1.27%	02/15/2020	34.21
IBRD	GOCE	01/05/2006	5.40%	05/15/2025	69.42
IBRD	GOCE	05/18/2007	1.23%	11/15/2022	40.96
IBRD	GOCE	05/18/2007	6.25%	06/15/2026	74.98
IBRD	GOCE	10/22/2007	0.78%	11/15/2023	13.75
IBRD	GOCE	02/26/2008	0.68%	09/15/2022	23.03
IBRD	GOCE	04/12/2008	0.68%	09/15/2022	45.89
IBRD	GOCE	05/22/2008	5.00%	05/15/2027	80.54
IBRD	GOCE	03/06/2009	3.25%	03/15/2033	14.72
IBRD	GOCE	03/06/2009	4.18%	11/15/2034	200.00
IBRD	GOCE	12/07/2009	5.27%	11/15/2035	350.00
IBRD	GOCE	06/01/2010	4.77%	05/15/2034	85.00
IBRD	GOCE	12/16/2011	3.92%	02/15/2037	99.90
IBRD	GOCE	11/29/2012	4.27%	10/15/2035	0.08
KFW	GOCE	12/03/1986	0.75%	12/31/2036	8.11
KFW	GOCE	09/29/1987	0.75%	06/30/2037	8.28
KFW	GOCE	06/13/1988	2.00%	06/30/2018	0.12
KFW	GOCE	06/13/1988	0.75%	12/30/2038	2.20
KFW	GOCE	06/13/1988	0.75%	06/30/2038	4.31
KFW	GOCE	06/13/1988	0.75%	06/30/2038	4.31
KFW	GOCE	06/08/1990	0.75%	12/31/2040	6.08
KFW	GOCE	12/23/1992	0.75%	12/30/2042	1.01
KFW	GOCE	03/31/1995	0.75%	06/30/2045	8.24
KFW	GOCE	04/27/1995	0.75%	06/30/2035	7.60
KFW	GOCE	08/30/1995	0.75%	12/30/2045	0.78

Lender	Borrower	Issue Date (mm/dd/yy)	Interest Rate (as %)	Maturity Date (mm/dd/yy)	Outstanding Amount as of December 31, 2012 (In thousands of US$)
KFW	GOCE	01/22/1998	0.75%	12/30/2048	11.85
KFW	GOCE	06/25/2002	0.75%	12/30/2052	6.52
KFW	GOCE	06/30/2005	0.75%	06/30/2045	4.28
IFDA	GOCE	07/06/1998	0.69%	02/15/2017	2.97
IFDA	GOCE	02/27/2001	0.69%	02/15/2020	8.03
IFDA	GOCE	06/12/2008	0.69%	08/15/2024	2.45
IFDA	GOCE	12/13/2011	1.39%	02/15/2027	0.78
OPEC	GOCE	08/22/1997	3.50%	02/22/2014	0.44
OPEC	GOCE	08/22/1997	3.50%	02/22/2014	0.56
OPEC	GOCE	12/02/1998	3.75%	06/02/2015	1.04
OPEC	GOCE	10/10/2001	2.00%	04/15/2018	2.19
OPEC	GOCE	10/10/2001	2.00%	04/15/2018	2.29
OPEC	GOCE	05/11/2006	2.25%	11/15/2025	1.32
OPEC	GOCE	09/06/2007	2.50%	03/15/2027	3.77
OPEC	GOCE	04/12/2008	2.75%	10/15/2027	1.74
OPEC	GOCE	12/19/2011	3.40%	07/15/2031	1.50
CIDA	GOCE	03/16/1976	0.00%	09/30/2025	0.16
CIDA	GOCE	07/13/1977	0.00%	03/31/2027	1.27
PL	GOCE	07/29/1993	4.00%	01/08/2014	0.06
PL	GOCE	07/29/1993	4.00%	12/19/2013	0.91
PL	GOCE	07/29/1993	4.00%	12/21/2014	1.98
PL	GOCE	07/08/1998	4.00%	12/24/2022	2.18
PL	GOCE	08/13/1999	2.50%	01/25/2024	5.82
UBS	GOCE	07/26/2006	3.43%	06/30/2022	4.83
JICA	GOCE	01/30/1989	3.50%	02/20/2020	23.79
JICA	EMPAGUA	06/16/1992	2.70%	06/20/2022	23.96
JICA	GOCE	12/27/1995	3.00%	12/20/2025	21.75
JICA	GOCE	09/30/1999	1.48%	09/20/2039	56.13
JICA	GOCE	02/20/2006	0.75%	03/20/2046	73.93
CHINA	GOCE	01/23/1998	5.00%	01/23/2013	1.00
CHINA	GOCE	01/23/1998	5.00%	01/23/2013	1.00
CHINA	GOCE	01/22/1999	5.00%	01/22/2014	3.00
CHINA	GOCE	04/22/1999	5.00%	04/22/2019	6.11
ICDF	GOCE	06/22/1999	2.00%	01/15/2024	2.30
ICDF	GOCE	08/09/2002	3.50%	02/15/2022	5.12
MCCI	GOCE	11/16/1992	1.50%	03/01/2013	0.24
9 $^{1}/_{4}$% Notes due 2013	GOCE	08/01/2003	9.25%	08/01/2013	300.00
8 $^{1}/8$% Notes due 2034	GOCE	10/06/2004	8.13%	10/06/2034	330.00
5 $^{3}/_{4}$% Notes due 2022	GOCE	06/06/2012	5.75%	06/06/2022	700.00

(1) Preliminary data as of December 31 of 2012.

Defined terms for Appendix A:

CIDA	=	Canadian International Development Agency
USAID	=	United States Agency for International Development
CABEI	=	Central American Bank of Economic Integration
C.C.C	=	Commodity Credit Corporation
IDB	=	Inter-American Development Bank
IBRD	=	International Bank for Reconstruction and Development
ICDF	=	International Cooperation and Development Fund—Republic of China, Taiwan
CHINA	=	Export Import Bank of the Republic of China
CORFINA	=	Corporación Financiera Nacional
EMPAGUA	=	*Empresa Municipal de Agua*
IFAD	=	International Fund for Agricultural Development
INDE	=	*Instituto Nacional de Electrificación*
INFOM	=	*Instituto de Fomento Municipal*
JICA	=	Japanese International Cooperation Agency
KFW	=	*Kreditanstalt für Wiederaufbau*
MCCI	=	*Mediocredito Centrale-Italy*
MUNGUAT	=	*Municipalidad de Guatemala*
OPEC	=	Organization of Petroleum Exporting Countries
PL	=	United States Department of Agriculture
UBS	=	Union Bank of Switzerland

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